

SITRA

# **THE FINNISH FUTURE FUND**

Annual Report and Financial Statements 2017



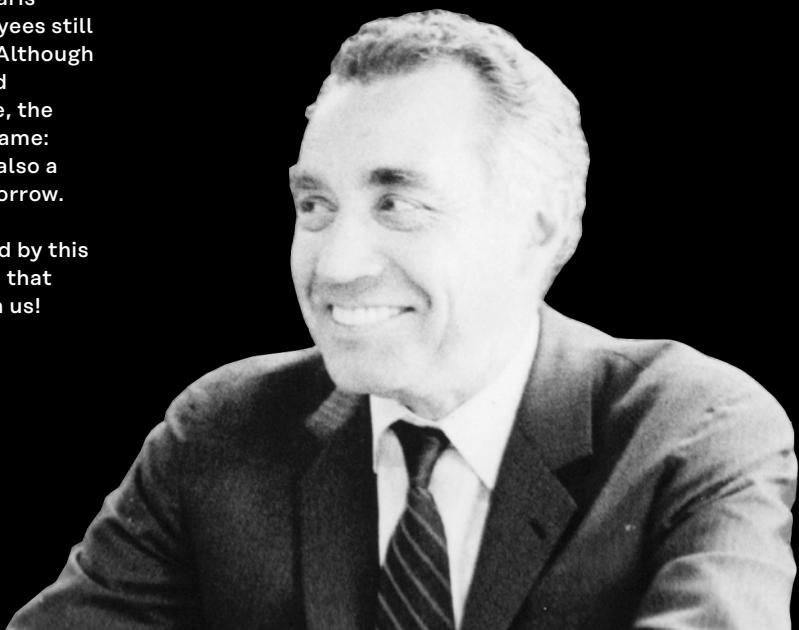
**IN 1967**, Finland was going through tough times. The agriculturally dominated society of the post-war period was rapidly transitioning to one that was more industrial; and this had not been without problems.

Nevertheless, the Parliament had sufficient belief in the future. When an independent Finland reached its 50th year, the parliament made a globally unique decision by bestowing the gift of a fund worth 100 million marks for the benefit of Finland's future.

Heavyweight economic and innovator, director general of the Bank of Finland **Klaus Waris**, who understood at an early stage the significance, beside economic growth, of the quality of life and environmental issues.

Sitra was at one time Waris' child, and Sitra's employees still follow in his footsteps. Although the means have changed with the passage of time, the task has remained the same: Sitra's mission today is also a successful Finland tomorrow.

The future is determined by this day's deeds – thank you that you are doing these with us!



**2017 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 2017 to the Finnish Parliament.

Helsinki, 16 March 2018

On behalf of Sitra's Supervisory Board

**MATTI VANHANEN**  
CHAIRPERSON

**ANTON MÄKELÄ**  
SECRETARY

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ISSN 1797-5298

Erweko Oy, Helsinki 2018



Printed matter  
4041 0032

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# Fifty years working for the future

**AS FINLAND CELEBRATED** the 100th anniversary of its independence, it marked the 50th anniversary of the founding of Sitra. Sitra was, after all, a gift from Parliament and the Bank of Finland to independent Finland, which had turned 50. It is, indeed, a forward-looking gift.

Sitra's activities have been guided from the very beginning by a vision of Finland's direction - the next generations. What will be needed next in Finland? What will secure the well-being of the coming generations? In its early years Sitra was needed as a source of funding for research and development. After Tekes was founded, a role was found in bringing venture capital industry to Finland and in serving as a capital investor, and later as an agent of change in society, as a workshop for thinking and implementation, with a recognised role in training new generations of decision-makers. Although the legally mandated task has been the same, a new time has required different kinds of means.

Today Sitra is a moderniser of society - that is, a visualiser of the directions of Finland's future, and an agent of change. The tool kit of the institution for the future includes all means

needed for societal change from anticipation and studies to experiments, wider pilots, training, and funding. Also challenge competitions, accelerators, hackathons, and other innovation tools that get their power from shared development have found their way to Sitra's selection of methods.

However, great changes are not made only through individual studies or small experiments. There needs to be a clear thought about the required systemic change, and the ability to use the right tool at the right time. This has been Sitra's strength in recent years. As a fund that functions on the return from its endowment capital it has managed to invest resources, both financial and those involving skills and knowledge, with sufficient intensity toward the changes it promotes, and there have been results.

For example Sitra's persevering work in connection with the circular economy is bearing fruit: 2017 can be said to have been a breakthrough year for circular economy awareness. On the administrative side the circular economy road map was paired with the programme of action, and projects from different actors spurring the circular economy

emerged at a record pace. Many companies have also understood that circular economy is a significant business opportunity. In international arenas Sitra is one of the brightest torch bearers in the field. The World Circular

*What will secure  
the well-being of the  
coming generations?*

Economy Forum, which was held in Helsinki in June 2017, was a good example of this, as was being named the world's best public sector circular economy actor during the World Economic Forum in January 2018.

Also part of Sitra's mission have been projects at the organisational level that could also be called infrastructure projects of the future. These include, for example, a central role in the early stages of the national exchange layer KaPa, the preparation of the establishment of a licensing body offering well-being data from a single window, or the development of an information package on social and health care.

This foundational work is extremely important even though it is so complicated and technical that it does not attract widespread attention.

The Sitra Act will be amended in 2018. At this point it is important to consider in the work Sitra's special task as a societal risk-taker and as an agile player: an unsuitable legal and administrative framework must not be allowed to paralyse the activities of an establishment set up for the future. Projects like the ones mentioned above will continue to be needed.

Sitra's activities are funded from the return on its endowment capital. At the end of 2017, the market value of Sitra's endowment capital was EUR 840 million, and the yield from invested assets was 7.7%.

In the Supervisory Board's opinion, Sitra's finances are stable and its operations are under excellent management. At its meeting on 16 March 2018, the Supervisory Board adopted Sitra's profit and loss account and balance sheet as proposed by the auditors. At the same meeting, the Supervisory Board approved the Board of Directors' proposal to carry forward the surplus of EUR 8,213,867.20 from the financial year 2017 to the retained surplus/deficit account.

Helsinki, 16 March 2018

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

./. Anton Mäkelä

REVIEW BY SITRA'S PRESIDENT

# Only change is permanent

**THE YEAR 2017** was significant for Finland in many ways. After 10 years, the economy started to recover. The Finland 100 anniversary was a reason to do things together and it generated a positive team spirit. Although the economic growth was still partly due to the economic trend, it was psychologically important. It seemed that in 2017, not only the economy but also people's belief in the future and what they do was on the increase, whereas intolerance and the sharp division of views were in decline.

Time will tell whether this trend is just a short-term phenomenon. Hopefully it is not.

Finland has done well in many international comparisons focusing on competences and well-being. When a model for a responsible and successful society is needed, eyes turn to the Nordic countries. But there are also concerns: the combination of success and positive trends does not go hand in hand with following through with necessary structural reforms. Economic boom is a difficult time for a reformer as finding the time and inspiration for improving the foundations is difficult, although it is exactly when action should be taken: the roof should be repaired when the weather is fair and goals should be set for well after the end of the government term, into the following generations.

All positive aspects of digitisation must be exploited, the health and social services reform must be completed, solutions must be found to the climate crisis and social security must be rapidly developed to meet the needs of different life situations.



## Making the future, whatever it takes

Sitra's task is to build a successful Finland for tomorrow. To look far ahead but act close by; to challenge and encourage, experiment and develop – to ensure that Finland will stay on the move. Its task is also to walk untrodden ground and take risks on behalf of society, to test whether others should follow behind.

In addition to outlining the direction of future developments, Sitra has in the past few years initiated, led or carried out many extensive development projects in which work has been done to build the infrastructure of future society or to change operating models. In these future infrastructure projects, Sitra's strength is in its ability to combine knowledge, vision and action. The more complex the project, the more likely it is that the whole array of Sitra's methods of future-oriented work is exploited, from anticipation to reports, experiments, more comprehensive pilots and wide stakeholder co-operation.

Good examples include Sitra's central role in the national Data Exchange Layer (KaPa); the setting up of the Digital Health HUB together with an extensive network of partners; the development of information packs on health and social services and their nationwide testing and integration into the national reporting system; the operating model for impact investing; and the internationally renowned extensive and fruitful work in the field of the circular economy.

## An independent risk-taker in the public sector

When Finland was celebrating the centenary of its independence, Sitra marked its 50th anniversary as the builder of the Finland of tomorrow. Throughout its 50-year history, Sitra has lived through a host of changing

circumstances and has always taken on a new role that has been important for Finland at that particular moment.

Sitra has a public duty that includes taking risks. Although its operation is funded by the returns on its endowment capital, it is still a public operator. It is not a government agency,

*When a model for a responsible and successful society is needed, eyes turn to the Nordic countries.*

but operates under the supervision of the Finnish Parliament and is therefore controlled by Parliament and its auditors.

When the organisation has been tasked with building the future, change must be also deeply ingrained in its DNA from the viewpoint of improving its own activities. Sitra is currently changing its internal operating methods to bring them into compliance with the Act on the Openness of Government Activities and the Administrative Procedure Act, among other laws. We will open up our activities more than before to make the information about the openings, reports and solutions made by the future-oriented organisation as easily available as possible. Independence and responsibility are at the core of Sitra's activities and this can and must also be explicit and visible to outsiders.



Mikko Kosonen  
President

# The year 2017 at Sitra

## A year of visions.

The vision for the Next Era of Well-being was built in co-operation with international and Finnish stakeholders.

## A year of well-being data.

Finland is again on its way to becoming a pioneer. The Digital Health HUB Isaacus will very soon be operating as a one-stop shop offering well-being data.

## A year of the circular economy.

A breakthrough! WCEF2017, the national road map to a circular economy and the action plan contributed to the breakthrough of the circular economy in Finland.

## A year of impacts.

The Social Impact Bond (SIB) model used in impact investing progresses in leaps and bounds: the Integration SIB of the Ministry of Economic Affairs and Employment is the largest SIB in Europe.

## JANUARY

## FEBRUARY

## MARCH

## APRIL

## MAY

## JUNE

- A neighbourhood event organised at Itämerentori launches Sitra's anniversary.
- The Next Era of well-being project publishes memorandum on work and income.
- Soteuttamo is born and brings together the social welfare and healthcare networks. A total of 30 events are organised during the year.

- The Seven Siblings from the Future tour brings young people together to build an future exhibition. The tour starts in Oulu and ends in Inari.
- The Developers of sustainable education training programme begins.
- The second memorandum related to Next Era vision work is published on democracy and participation.
- A total of 231 applications are received for the Ratkaisu 100 challenge prize
- Timeout project brings together people with conflicting opinions for a societal dialogue.

- The group renewing state cultural grants publishes funding principles to serve as a basis for legislative work.
- The Nordic World Ski Championships 2017: the world's first sporting event in the spirit of the circular economy.

- Sitra's survey on working life provides insight into the attitudes Finns have towards working life.
- The world's first World Circular Economy Forum takes place in Helsinki.
- The third memorandum related to Next Eravision work is published on growth and progress.
- The 10th course on leadership training for sustainable economic policy receive their course certificates.

- The Demokratiahack hackathon strives to solve the challenges of democracy and participation.
- Working Life Prize 2017: Nine working-life heroes are honoured.
- The second update of Sitra's list entitled "The most interesting companies in the circular economy".
- The Rise to Shine! podcasts are launched.



**A year of business intelligence.**

In future, the management and reporting of social welfare and healthcare will be carried out with the help of the information packs Sitra has compiled on health and social services.

**A year of competences.**

The Ratkaisu 100 challenge prize was awarded to two solutions focusing on competence. One of them was based on artificial intelligence, the other on the identification of strengths.

**A year of smart choices.**

Finns became interested in testing their carbon footprints and considering the choices they make in their everyday life. Sitra offered 100 smart ways for people to start making a change.

**Anniversary.** Sitra celebrated its own and Finland's milestone by continuing its future-oriented work, by investing even more in the Finland of tomorrow.

**JULY****AUGUST****SEPTEMBER****OCTOBER****NOVEMBER****DECEMBER**

- **The future of the Nordic model** is the topic of discussion in five international Next Era workshops.
- **The overall costs of pharmacotherapy** are discussed for the first time.
- **Finnish societal debate moves** to SuomiAreena in Pori, and Sitra follows it there.
- **Impact investing:** Finland becomes a member of an international steering group.
- **A handbook on future education** is published.

- **The Fiksu arki (Smart everyday living) competition** seeks solutions from SME's for a sustainable everyday life.
- **Ratkaisu 100 Showtime:** 15 teams, 15 solutions.
- **Everyday choices** are the topic of discussion at Eurobasket, on the World Carfree Day and at the Lähiöfest neighbourhood festival.
- **Road maps and handbooks** for the implementation of the information packs on health and social services are published.
- **The Tieto päätöksenteossa (Knowledge in decision-making) publication** explains the bottlenecks and development opportunities in decision-making.

- **The Sitra 50 event** is a celebration of future-oriented work: the winners of Ratkaisu 100 are revealed, the future exhibition is opened, the Next Era of Well-being is published and a publication detailing the 50-year history of Sitra comes out.
- **The fourth memorandum** related to Next Era vision work is published on the planetary boundaries.
- **A question time on the future** in Parliament.
- **Funding calls for the circular economy** are opened and the ministries' and Sitra's action plan for the circular economy is published.

- **Impact co-creation workshop** (Vaikuttavuuskehittämö) explores ways to reduce unemployment among young people in co-operation.
- **The lifestyle test** inspires Finns to test their carbon footprint.



# The Next Era of Well-being is Sitra's vision for Finland in the future

**SITRA HAS BEEN GIVEN** the task of building a successful Finland for tomorrow. Its work has always been based on a strong vision for Finland in the future.

In 2017, Sitra worked extremely hard to further clarify that vision – and the measures required to fulfil it. Sitra collaborated with both Finnish and international think tanks and developers. A carefully measured idea about the future of the Nordic model – the Next Era of Well-Being – was born.

## **Global megatrends and Nordic ideals in the background**

Western societies – Finland included – are facing a huge transformation. Many industrial-era structures and solution models are losing their effectiveness and minor adjustments are no longer enough to prevent the societal problems of the coming decades and to strengthen well-being. We are building the Finland of tomorrow in a world that is defined by the earth's natural limits, a new phase in geopolitics and the rapid development of technology.

At the same time as the effects of global megatrends gradually reach Finland, our life is governed by the Nordic values and ideals such as freedom, trust, equality and fairness. However, as we can conclude from the sometimes-heated discussions over the past few

years, values and ideals cannot be taken for granted. Sitra therefore wanted to bring them to the core of the vision: Sitra's vision for Finland in the future is based on the Nordic values and ideals.

In spring 2017, Sitra's annual Megatrends list considered global megatrends, in particular from the Nordic point of view. This "Nordic update" of the megatrends emphasised the developments that will in the next few years and decades challenge the core assumptions of, in particular, the Nordic model. When the global megatrends were combined with the Nordic point of view, a range of challenges emerged to which the societal vision should respond now and in the coming decades.

## **A vision consists of choices**

The megatrends can be tackled either from the point of view of preventing threats (such as climate change) or grasping opportunities (for example, harnessing technology to drive progress). Regardless of which point of view we decide to choose, the effort will be huge: many decisions and laborious reforms will be required.

Sitra's vision accepts and acknowledges the upcoming challenges, but primarily grasps the opportunities provided by the megatrends. The Next Era of Well-being is a vision that

describes how we desire Finland to be in the future. In the vision, income, participation and progress are considered to be the most important points of view and issues that require solutions. They are all undergoing an enormous change. What will happen if work no longer guarantees a livelihood in future? Or when representative democracy does not provide a sufficient sense of participation? What is progress if it can no longer be measured by economic growth alone?

### **The Next Era of Well-being – Sitra's vision for the Finland of tomorrow**

What kind of future Finland is Sitra striving for, then?

The Finland of the future is based on a fair and competitive circular economy – a society that functions within the planetary boundaries and is therefore also secured for future generations. In such a country, technology will not be a threat that just takes away jobs, but an opportunity that is harnessed to create well-being. The diverse new work created in the transformation of work will provide opportunities for earning an income, but the uncertainty will be softened by reformed social security that everyone can genuinely rely on.

Finland's success in such a future will be based on top-level expertise and, above all,



lifelong learning by everyone in Finland, the privilege of every Finn. And on trust. Just as before, internationalisation will provide Finland with freedom and prosperity that benefit everyone. In the Finland of the future, administration and leadership will be seen as an active and vital accelerator of progress, which lays a foundation for a constructive societal debate, being heard and doing things together – genuine participation and democracy.

As we said above, a vision consists of choices. These are the choices Sitra has made and it will from now on work to fulfil that vision.

# The impact-generating mechanisms of the workshop for ideas and action



**IN THE DAILY LIFE** of the future fund, the direction shown by the vision has been split into three strategic themes and two functions. Future-oriented work is carried out in the Carbon-neutral circular economy, the Capacity for renewal and the New working life and a sustainable economy themes and in the Foresight and insight and the Societal training functions. The themes and functions consist of wider focus areas and projects.

Sitra takes on complex and multifaceted problems – systemic challenges that will not be taken on by anyone else or that cannot be solved through simple measures. In practice, many of the projects involve building the infrastructure for future society: systems that work in the background and on which services can be built.

In this work, Sitra's strength is its diverse toolkit, that is to say, the range of methods for future-oriented work.

As stated in the impact assessment produced by 4Front Oy and VTT Technical Research Centre of Finland, published in autumn 2017, a systemic change requires that many different impact-generating mechanisms and measures are taken advantage of – often simultaneously. Meaningful mechanisms vary according to the objectives, the situation and the subject.

In the impact assessment, Sitra's impact-generating mechanisms were divided into six entities, which are explained below. Examples of Sitra's projects in 2017 have been added, many of which could be linked to more than one mechanism.

**1.** “Sense making”: production and processing of new information, identification and anticipation of development trends and challenges. An important basic factor in structuring and steering the direction of new phenomena and societal questions and in influencing with information. Efforts are made to base the activities on the latest available information.

**Examples:** **The Next Era vision work, the Knowledge in decision-making project, Work 2040 scenarios.**

**2.** Starting a societal debate and spreading awareness (including training). Closely related to “sense making”. Bringing new points of view and information into the discussion is a central factor in initiating societal change. Together with other methods, it also contributes to other cultural valuations and beliefs and, consequently, to activities.

**Examples:** **the Ratkaisu 100 challenge prize, reports on the freedom of choice in social welfare and healthcare services, the 100 Smart Ways project, the Kovaa osaamista (Solid expertise) report, the Seven Siblings from the Future exhibition at Heureka.**

**3.** Forging encounters, uniting people (involving operators, facilitating interaction and “active promotion work”). In order to make the change happen, to develop new thoughts and to ensure commitment, the different parties in the system must carry out goal-oriented interaction with each other. Change becomes possible when different parties have a shared view on the direction of the future.

**Examples:** **the KulttuuriVOS project, the Timeout discussions, WCEF2017, Leadership training for sustainable economic policy.**

**4.** Practical trials and pilots for rapid identification and testing of new operating models. An important method for accumulating experiences and knowledge about new operating models, learning about them and increasing acceptability.

**Examples:** **the Workplace of the future boot camps, the Demokratiahack hackathon, the pilots on the freedom of choice in social welfare and healthcare services, the pre-production projects of Isaacus – the Digital Health HUB, the circular economy food hub.**

**5.** Spreading and establishing new operating models. No change will happen if it has to rely on one-off projects. In addition to experimentation, specific mechanisms are required to spread and establish models that have been proven to work.

**Examples:** **spreading the impact investing operating model, the road map in the information packs on health and social services and Sitra's attractive own media sitra.fi.**

**6.** Building a political and administrative foundation for change (influencing decision-making). Many extensive changes require political decisions, such as policy outlines, amendments to statutes or funding. This viewpoint is emphasised in projects that develop public activities.

**Examples:** **the National Action Programme on the Circular Economy, advisory work in the legislative preparation related to Isaacus – the Digital Health HUB (secondary use of personal social welfare and healthcare information), facilitation of the work of the KulttuuriVOS expert group to reform the system of central government transfers to culture.**

THEME

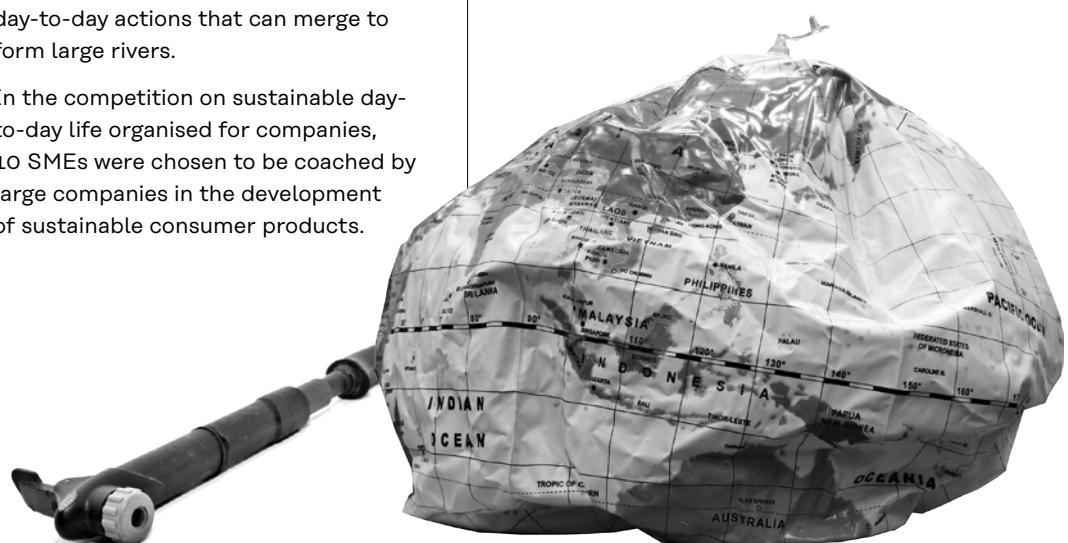
# Carbon-neutral circular economy

## THEME HIGHLIGHTS OF 2017

- WCEF2017, a huge accomplishment for Sitra, brought together the developers of the circular economy from across the world in Helsinki for two days on 5 and 6 June 2017 and put Finland in the international influencing spotlight.
- The road map to a circular economy was paired with the action plan drawn up jointly by Sitra and the ministries and the implementation began: at the end of the year, Sitra was already promoting about 40 projects driving systemic change.
- The 100 Smart Ways and the lifestyle test brought into discussion the small day-to-day actions that can merge to form large rivers.
- In the competition on sustainable day-to-day life organised for companies, 10 SMEs were chosen to be coached by large companies in the development of sustainable consumer products.

## COMING UP IN 2018

- Speeding up the implementation of sustainable climate solutions.
- Coaching and funding for companies that develop circular economy solutions.
- Circular economy education and training and smart ways and choices in everyday life for all educational year groups, from comprehensive schools to universities.
- Expanding international collaboration.



## Racing against time

Finland will very soon be facing an enormous social, ecological and economic problem. This problem is a global sustainability crisis and it will challenge the very foundation of Finnish society. However, Finland could be part of the solution to this problem. Sitra therefore aims to make Finland a trailblazer for a new society based on a sustainable economy by 2019. The change will be huge, but unavoidable – and there is still a long way to go.

Adapting to the planetary boundaries requires a new kind of thinking and comprehensive change. Decoupling overconsumption of natural resources from economic growth and perceived well-being is at the core of Sitra's strategy.

The Carbon-neutral circular economy theme is divided into two mutually supportive larger projects or focus areas.

A circular economy speeds up the systemic change of the economy in the structures of society – both in the operating models of companies and public actors and in political discussions.

The Resource-wise citizen focus area in turn increases the demand for sustainable solutions by speeding up their development into even easier and more attractive solutions.

In 2018, the theme will be supplemented by a third focus area, Climate solutions, which will disseminate existing climate solutions and encourage an increasingly ambitious climate policy and pricing of coal through reports, analyses and communication.

In 2017, progress was made in the promotion of the circular economy and in setting ambitious objectives in Finland, but it was not enough. The changes need to happen soon, which is why right now Sitra is investing in this matter more than in anything else.

## Circular economy – from ideas to action

Sitra introduced the circular economy to the general discussion in Finland in 2015 and published the world's first national road map to a circular economy in 2016.

In the road map, individual pioneering actions and steps were compiled into larger entities in five focus areas: a sustainable food system, technical loops, forest-based loops, transport and logistics, and common action.

In 2017, a move was made from words to action and the implementation of the steps of the road map was launched. The road map was paired with the action plan drawn up jointly by the Ministry of Agriculture and Forestry, the Ministry of Economic Affairs and Employment,

*The project portfolio contains more than 40 circular economy projects implementing the road map.*

the Ministry of the Environment and Sitra. By the end of the year, Sitra's project portfolio already contained some 40 circular economy projects aimed at systemic change by implementing the road map in practice.

Of the five focus areas of the road map, co-operation projects related to sustainable food systems made up the largest number of launched co-operation projects. The objectives of the launched pilot projects include absorption of carbon into the soil at farms (currently a hot topic internationally); the development of regional circular economy networks for food in Lapland, Central Finland, the Saimaa Lake District and the Åland Islands; the extension of

**1,633****developers of  
the circular  
economy from****92 different  
countries**

The World Circular Economy Forum 2017 brought circular economy developers to Finland. WCEF 2018 will take place in Yokohama in Japan with strong support from Sitra.

**1ST PRIZE**

Sitra was named as the world's best public-sector actor in the circular economy at the World Economic Forum in January 2018. In 2017, Sitra was a candidate in the investor category.

a community food aid model from Vantaa to the rest of Finland; speeding up food hub activities in the Uusimaa region in Finland; and looking for new ways to store and utilise the nutrients from urine. What all these projects have in common is co-operation and open communication between several bodies: it is important to disseminate the results of the development work to be used more widely as operating models. And lessons must be learned from possible failures.

In addition to the projects, Sitra launched a support programme for the development of innovation ecosystems in the circular economy. The funding calls in the support programme look for consortiums formed by companies, public and third-sector operators and research institutes that advance new operating methods and collaboration related to the circular economy.

The list of The most interesting companies in the circular economy, published for the first time in October 2016, was updated twice during 2017: at the end of 2017, the list already featured 97 Finnish companies whose examples of business activities encourage other companies to adopt activities that comply with a sustainable, new and more efficient economy.

Apart from a new way of thinking and experiments, adopting a new economic model requires a new kind of expertise. As a result,

circular economy experts will in future be needed in every field. In 2017, Sitra challenged the entire field of education and training in Finland to reflect on what kind of world we would like to create and how people will be educated for it. A large education and training programme was developed to speed up the change. During 2018, this programme will educate a total of 60,000 future experts, from comprehensive schools to upper secondary schools and vocational institutes, and from universities of applied sciences to academic universities.

**Sustainable everyday life will be the new normal**

Almost 70 per cent of all greenhouse gas emissions in Finland are created by our normal everyday lives: housing, transport, food and other consumption. New solutions and innovations are required if we are to transfer to a sustainable model of consumption that is compliant with the circular economy, and both demand and supply are required for these solutions and innovations to be developed and implemented. Finnish people will have to want new kinds of solutions and companies will have to offer them.

At the end of 2017, the lifestyle test published on Sitra's website inspired Finnish

people to reflect on their consumer habits when considering their New Year's resolutions and at the same time introduced simple ways to reduce their carbon footprint. During the first month, the lifestyle test was taken 150,000 times.

When sustainable everyday life becomes the new normal, the environmental viewpoint will also become the business viewpoint. Sitra's Fiksurki (Smart everyday living) competition for companies sought SME solutions for a sustainable day-to-day life: solutions to housing, transport, food and the production of goods or services. In 2018, the best solutions will be able to join a company development programme in which the solutions will be tested and improved together with the 12 large companies on the jury. Sitra's aim is to develop the Finnish market for products and services that reduce the environmental effects of our daily life. The competition and the development programme are tools for doing this.

### **No one will be able to solve this problem on their own**

Sitra is developing Finnish solutions for decoupling and for the sustainability crisis together with its large, cross-sectoral partner networks – with towns and cities, companies, public administration and the third sector. Because it is not sensible to reinvent the wheel and many solutions already exist, Sitra's international co-operation is intensive. A good example is the Green to Scale project, which has highlighted existing solutions that enable us to tackle climate change. The dissemination of these climate solutions will therefore be what Sitra will next focus its work on.

Sitra has for years worked with different ecological sustainability themes and this long-term work has created several networks or operators that approach the sustainability crisis

from slightly different points of view, while still having the same goal: to be able to live a good life within the planet's natural limits. In its ambitious projects, the Helsinki Metropolitan Smart & Clean Foundation, established in 2016, is developing the world's first dense air-quality measurement system covering the whole city, the management of rainwater and more intelligent and efficient renovation. FISU (Finnish Sustainable Communities), created in 2015 based on work carried out by Sitra, is a network of pioneering municipalities whose aim is to achieve carbon neutrality, zero waste and globally sustainable consumption by 2050. The Climate Leadership Coalition established in 2014 challenges companies and society to mitigate climate change.

Everyone will be needed in solving climate change and the global sustainability crisis – companies, the central government, municipalities, the third sector and households will all have a role to play. Sitra therefore carries out extensive co-operation with a variety of actors and also encourages others to do the same.

### FOCUS AREAS 2017

- **A circular economy** strives to establish a new economic model in Finnish society with the help of the national road map to a circular economy. **03/2015-10/2019**.
- **Resource-wise citizen** promotes sustainable everyday life by exploring, conducting experiments and inspiring people. **09/2016-12/2018**
- **Under preparation: Climate solutions** disseminates existing climate solutions and encourages an ambitious climate policy. **04/2018-06/2020**.

THEME

# Capacity for renewal

## THEME HIGHLIGHTS OF **2017**

- The health and social services information packs developed under the leadership of Sitra are part of the system of public administration recommendations (JHS) that will in future enable production of internationally comparable social welfare and healthcare information and information management.
- Isaacus – the Digital Health HUB is progressing at an incredible pace: the components are near completion and once the relevant act has been passed, the body authorising the necessary permits can start its operations.
- The beginning of the new leadership training for senior government officials was greeted with enthusiasm and the feedback received was positive.

## COMING UP IN **2018**

- The act on secondary use of social welfare and healthcare data will be completed and will lay the foundation for launching the operations of the one-stop-shop, permit-granting authority.
- Fresh discussions about, the state of democracy and leadership in the public sector.
- The long union between Sitra and the health and social services reform is approaching its natural climax – it is time to move on to new topics.



## **The old master of renewal now faces new challenges**

As the pace of change accelerates globally, those who are able to renew themselves will be successful. Finland used to be a master of renewal. Now that we most need it, we have lost that ability. Reformative thinking, managing changes and new operating methods are now needed in all sectors of society.

Sitra challenges and helps Finland and the Finnish people to rediscover their willingness and capacity for renewal. The aim is to strengthen the capacities of those involved in the implementation of important societal reforms and in the continuous renewal and implementation of renewal processes.

To achieve the objectives, Sitra had four ongoing focus areas supporting capacity for renewal in 2017. Funding of social welfare and healthcare services supported the health and social services reform by providing an insight

*Through the Digital Health HUB, Sitra has made a huge investment in the infrastructure of future society.*

into the future and developed reporting in health and social services. Human-driven health strengthened a customer-oriented operating culture in health and well-being services. The Digital Health HUB prepared a one-stop-shop operator that will provide well-being data from different information sources and registers. And Public-sector leadership supported the reform of leadership and the leadership culture in the public sector.

In 2017, the strong emphasis on social welfare and healthcare of the previous theme Empowering society was still visible in the choice of focus areas for the Capacity for renewal theme. This will change in the coming years as the focus will shift, for example, towards reforming leadership in public administration.

## **The long union between Sitra and the health and social services reform**

The history of the long and close union between Sitra and the health and social services reform goes back to the turn of the century. Sitra has been working on the possibilities for basing the future social welfare and healthcare system on knowledge and agile experimentation and for creating background systems that facilitate work rather than complicate it.

More recently, Sitra has had a central role in the initial development of the National Data Exchange Layer (KaPa) on which the Kanta and Suomi.fi services are based. After that, small digital self-care experiments formed the virtual clinic Minunterveyteni.fi in Hämeenlinna, which in turn has expanded into the government's ODA key project, co-ordinated by the Association of Finnish Local and Regional Authorities, and which will soon be available to all Finns as OmaOlo. After digital self-care, Sitra has been working on a genome strategy, the Digital Health HUB Isaacus, reporting of social welfare and healthcare funding and a model for the freedom-of-choice trials.

Sitra's four years of work in the field of social welfare and healthcare funding ended at the beginning of 2018. Reports, trials, extensive pilot projects and close co-operation produced results: the new funding model and its steering mechanisms have now been identified and the reporting and steering component of the funding model has been implemented into the national reporting structure (JHS).

The core of the reporting and steering component – the information packs on health and social services, developed and tested with the Ministry of Social Affairs and Health and hundreds of specialists – will in future be the reporting model that those in the field will be bound by. The packs enable both the production of nationally comparable social welfare and healthcare data and the use of this data in the management of social welfare and healthcare data at regional and national level. From the point of view of local impact, the “field work” carried out by the 51 local authorities and seven counties engaged in the piloting of the information packs has ensured that the impact and benefits of that work will be maximised and that it will live on in practical processes.

The expanding freedom of choice in health and social services is a significant reform, but there has not been information available on its effects. Before wider introduction of freedom of choice, it was necessary to conduct experiments to lay a foundation for changing operating models, ways of thinking and the operating culture. Sitra has been intensely involved in this work: in 2016 a model was defined for the practical trial concerning the freedom of choice, or the use of service vouchers. Now that the trial has been launched, Sitra has been involved in supporting the trials by, for example, surveying clients' experiences and bringing together social welfare and healthcare operators.

When freedom of choice is implemented from 2020 on, the success of the system will largely depend on how this freedom of choice can in practice be realised as part of the provision and production of services. The experiences now gained from the trial provide valuable information for developing the system.

The Soteuttamo concept launched in January 2017 – a “toolkit” for renewal and

networks – supports the local co-operation between social welfare and healthcare operators and also inspires new operators to join.

As data and the client must in future be able to move smoothly between basic healthcare, specialist medical care and rehabilitation, an entirely new way of management is also required. Tools for supporting the management of social welfare and healthcare are currently being developed and tested to enhance co-operation between different operators and to streamline the treatment of patients who have to deal with many service points and who often suffer from multiple illnesses. The management tools are under development in Tampere, from where they will be disseminated to the rest of the country.

### **Isaacus leads to the source of well-being data**

For just over two years, Sitra has been preparing an operator whose task is to collect, co-ordinate and share well-being data as a one-stop shop in Finland. The working title of this operator has been Isaacus – the Digital Health HUB.

The project has been building a new operating model and an official body while at the same time drawing up a legislative basis for them, and has led to three outcomes: the creation of the service concept for the Digital Health HUB, ICT solutions and the legislative basis for the disclosure of data.

The finishing line is already in sight: the act on secondary use of personal health and social welfare data is currently being considered by Parliament. With the legislative change, the permits for using personal data would be granted centrally by one permit-granting authority when there is a need to combine data materials from different keepers of registers or if data is needed from private social welfare and healthcare. Currently, the data is fragmented in different

systems, is difficult to use and is therefore only used to solve acute problems or complaints. As a result, no benefits are gained for research and innovation. When the new law has been passed, the new authority granting the permits will be established as part of in connection with the National Institute for Health and Welfare (THL).

Through Isaacus, Sitra has invested a total of about 10 million euros in the infrastructure of future society and we can already see that the investment has paid off. For example, the CleverHealth Network, a new company ecosystem, has formed around the HUS data lake developed in the project. The CleverHealth Network combines Finnish top-level expertise from different disciplines to improve Finnish healthcare, to develop export products in health technology and to attract foreign investment.

Sitra's co-operation partners in building Isaacus include the Ministry of Social Affairs and Health, the Ministry of Economic Affairs and Employment, the National Institute for Health and Welfare (THL), the Association of Finnish Local and Regional Authorities, Statistics Finland, CSC – IT Center for Science, the National Archives of Finland, the Hospital District of Helsinki and Uusimaa (HUS), the Hospital District of Southwest Finland (VSSH) and the City of Kuopio.

### **Public administration as an enabler of change**

Decision-makers and public servants are expected to react rapidly to the changes taking place in the world and to maintain a close dialogue with different stakeholders. Sitra offers tools for cross-administrative, future-oriented leadership, agile experimentation, learning new things and unlearning. There are three main strands to the work, which started in 2017 and will run throughout 2018: 1) the “Renewing the public

sector – enabling management” training is being provided to 160 senior government officials; 2) the practical cross-administrative Siilonmurtajat (silo breakers) experiments are being supported; and 3) the future options for public administration are being explored, together with different stakeholders. All three initiatives will together form a seamless package: training will provide the impulse for experiments and the experiments, in turn, will produce knowledge and solutions for reforming public administration.

In addition, the working paper on reforming democracy (Kansanvallan peruskorjaus), which was largely drawn up during 2017 and was published in February 2018, provides input to public administration, in particular from the viewpoint of democracy and the participation of citizens.

### FOCUS AREAS 2017

- **Funding of social welfare and healthcare services** supports the health and social services reform by providing insight into future issues and developing reporting in health and social services.  
**01/2014-12/2017**
- **The Digital Health HUB** promotes sustainable everyday life by exploring, conducting experiments and inspiring people. **10/2015-07/2018**
- **Human-driven health** strengthens a customer-oriented operating culture in health and well-being services.  
**06/2016-03/2019**
- **Public-sector leadership** supports renewal by training senior officials, conducting cross-administrative experiments and envisaging new operating methods. **03/2017-12/2018**

THEME

# New working life and a sustainable economy

## THEME HIGHLIGHTS OF 2017

- The Ministry of Economic Affairs and Employment announced the launch of the largest SIB project in Europe with the objective of employing 2,500 immigrants over the next three years.
- The Working Life Prize of the Ministry of Economic Affairs and Employment, Sitra and the Finnish Work Environment Fund highlighted some of the best renewal methods in workplaces. The open call inspired 99 workplaces to participate.
- A list of tools for a new working life was compiled on Sitra.fi, including topics such as the development of the working-life competences of students and tools for renewing a workplace, brainstormed by more than 50 work communities.

## COMING UP IN 2018

- The data revolution is beginning, and Finland is on the way to becoming a pioneer in the use of human-centred information. IHAN – a platform for the human-centred exchange of information – will be built along the same lines as the IBAN system.
- Impact investing will establish itself as a permanent operating model in Finnish society.



## Foggy weather ahead

The changes in working life and the labour markets are having a profound effect on Finnish society: the effects of digitisation, robotisation and globalisation are already visible in the labour markets and workplaces, and will be to an even greater extent in the future.

These wide-ranging changes are also affecting social well-being and the funding base for the public economy. What will happen if work no longer guarantees a livelihood in the future? And what kind of competences will be required for the working life of the future?

Sitra's New working life and a sustainable economy theme enhances the renewal of working life, lifelong learning and a sustainable economy. In 2017, work had been organised into two focus areas. The Transformation of work focus area developed new models and tools to better match people and work, surveyed Finnish people's working-life competences and developed ways to strengthen them. The focus area of Impact investing was building an ecosystem for impact investing in Finland and launched several SIB (Social Impact Bond) projects.

In 2018, the theme will be refocused to emphasise two things: strategic growth policy and lifelong learning. The objective with the former is to speed up the renewal of Finland's industrial structure by developing business ecosystems. For the latter, the team will reflect on what kind of changes the culture of lifelong learning requires in attitudes, in structures that support learning and in the financing system. A focus area is being prepared for both fields and is due to be launched in 2018. Sitra will continue its work to build an impact investing ecosystem for one more year.

## Tools for a better working life and support in turning points

For two years, Sitra examined scenarios for future working life, considered their impacts and, with its partners, developed new models and tools that would help better match work and workers in the changing labour markets. In addition, the working-life competences of Finns were surveyed and methods were developed to strengthen them. The developed models and tools can be found on the Sitra.fi website.

The increase in the employment rate and wages and salaries plays an important role in the public economy and the funding of pensions. In autumn 2017, the Finnish Centre for Pensions and Sitra published calculations based on scenarios showing that to eliminate the sustainability gap, a much higher employment rate than that at present is needed. In Sitra's view, the keys to a better functioning labour market are the use of data and digitisation, a better division of work between the employment authorities and employment services market, and regulations that promote acceptance of work. Finland should promote the automation of job seeking with an open mind.

One of the challenges in the transformation of work is the identification and recognition of competence. For example, competences are constantly acquired through hobbies and voluntary work, but they remain largely hidden. Sitra co-operated with the Guides and Scouts of Finland, the Football Association of Finland, the Finnish National Rescue Association and the Southwest Finland district of the Mannerheim League for Child Welfare to model methods that would in future allow better use of the non-formal learning that takes place during leisure time.

In the Workplace of the future project, more than 50 different workplaces developed practical tools to support the renewal of organisations. The working-life innovations in workplaces were also in the public eye when the Finnish Working Life Prize of Sitra and the Ministry of Social Affairs and Health was awarded for the last time in May 2017. The objective of the prize was to inspire work communities to look at and develop their activities through examples given by their peers.

The Transformation of work focus area ended in August 2017 as planned, but the co-operation with working-life organisations continues through the labour market round-table activities led by Sitra. The purpose of the activities is to strengthen the future understanding of change trends and their impacts on the operating environment and at the same time strengthen the mutual trust and shared willingness and ability to change of those involved. Seventeen decision-makers from working-life organisations participated in the first visit to Silicon Valley and San Francisco in California in the summer of 2017. The labour market round-table activities will continue in 2018.

### **Impact investing channels private capital to benefit society**

There is huge demand for goal-oriented co-operation and new funding models for well-being in the private and public sector in Finland. Impact investment means channelling private capital to projects that provide not only financial profit but also measurable social or environmental benefits.

The building of an impact investing ecosystem that Sitra started from scratch three years ago has made excellent progress and several projects have been launched or are about to be launched. Now the aim is for closer

**13.5 million euros**

The SIB for rapid employment and integration of immigrants is the largest impact investment project in Europe. The objective is to employ 2,500 immigrants in the next three years.

**Some**

**60%**  
are career  
changers

More than a half of the Finnish population have changed their occupation or field during their working career.\*

co-operation than ever with those partners that could take over from Sitra from 2020 onwards.

So far, the most important project based on Social Impact Bonds (SIB) is the SIB for the rapid employment and integration of immigrants, published by the Ministry of Economic Affairs and Employment in June with the aim of employing 2,500 immigrants over the next three years. In terms of the invested capital (13.5 million euros), it is the largest SIB in Europe and the second largest in the world. Sitra has served as an adviser to the Ministry of Economic Affairs and Employment and the other involved parties since the early stages of the project in autumn 2015.

The next SIB launched by the Ministry (Työ-SIB) will mainly promote employment among people who have been unemployed for a long time. The project has the potential to reach more than 16,000 unemployed people across Finland as 14 local authorities have already provisionally reported their interest in the project.

\* Source: Sitra's survey on working life.

An SIB for children and young people, promoting the well-being of children, families with children and young people, is also about to be launched. The objectives of other SIB projects currently being prepared include maintaining the independent functional ability of the elderly and the prevention of type 2 diabetes.

In 2017, Sitra's fourth Impact Accelerator encouraged and helped companies and organisations to establish the societal impact of their activities and communicate it, and to develop their funding capabilities. Just under 40 companies and organisations have already clarified their paths to making an impact using Sitra's accelerator.

A new kind of pilot project, Impact co-creation workshop (Vaikuttavuuskehittämö), was launched in Oulu in the autumn. In the project, public bodies (the City of Oulu, the ELY Centre of North Ostrobothnia and the TE Centre) and different companies and organisations meet to generate new kinds of preliminary ideas to support the employment of unemployed young people aged under 35 and to promote their well-being. This unique co-operation concept between the public and private sectors is piloted under the leadership of Sitra.

## **Data revolution on the planning desk**

Information is becoming a valuable natural resource and we are about to see the beginning of a new era, the era of the data economy. Finland's growth strategy is largely based on the development of ecosystems and the platform economy, and Finland has the capacity to become a pioneer in the EU when it comes to the human-centred use of data.

A change is under way. The use of personal data is becoming more human-centred and new technologies and business are being built around personal data at an increasing pace. The many legislative reforms currently under way reveal

the changing situation: the EU's data protection regulation (GDPR) returns the access rights to personal data to the individual and other legislation related to individual data (for example, the payment services directive PSD2 and the eIDAS regulation on electronic identification) is also undergoing reform.

There is not yet a shared platform on which the services complying with the provisions of the act could be implemented and the development work is fragmented. Sitra is therefore planning an interoperable platform for the human-centred exchange of information – an EU-wide IHAN account system, which works along similar lines to the international IBAN system used in banking and whose major difference is that instead of money the “currency” in the system is information.

The preparation of the IHAN focus area supporting the data revolution is still under way, but when it is launched it will be one of the strategic projects that spans all Sitra's themes and objectives. It is linked to the new working life and a sustainable economy theme, in that it enables change.

## FOCUS AREAS 2017

- **The Transformation of work** area seeks new operating practices to enhance the functioning of the market for work and solutions for improving working-life competences, incentives and the matching of supply to the demand for labour.

**03/2015-08/2017**

- **Impact investing** has brought a new operating model to Finland and a functioning ecosystem for it now exists.

**05/2014-12/2017**

- **Coming in 2018:** focus areas related to strategic growth policy and lifelong learning.

# Assessment establishes impact and responsibilitys of the activities

**THE RESULTS AND IMPACTS** of Sitra's work are assessed systematically. The results of societal future-oriented work cannot often be measured directly in terms of money or quantity and therefore a diverse system consisting of both internal and external evaluation and analyses has been built for assessment and monitoring.

Sitra conducts agile development work with a reflective approach. The work is always based on careful preparation and setting of targets according to the input-output-outcome-impact chain.

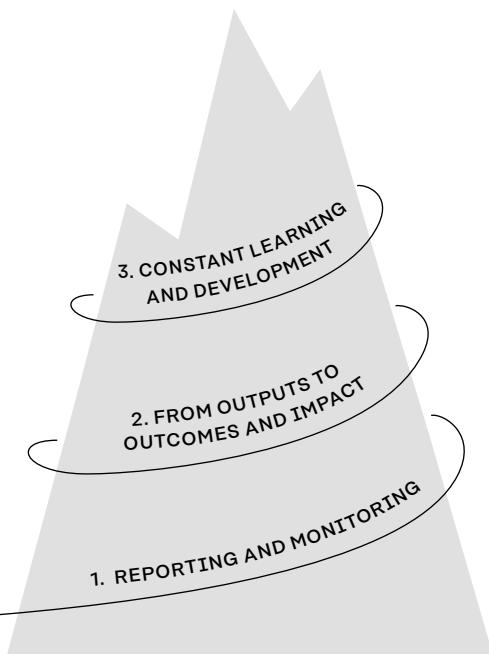
## Monitoring and evaluation at three levels

### 1. Reporting and monitoring.

Management reporting lays a foundation for transparency.

The first level of evaluation and monitoring is reporting that complies with good administrative practices and is based on internal monitoring such as financial monitoring, endowment capital monitoring and risk management.

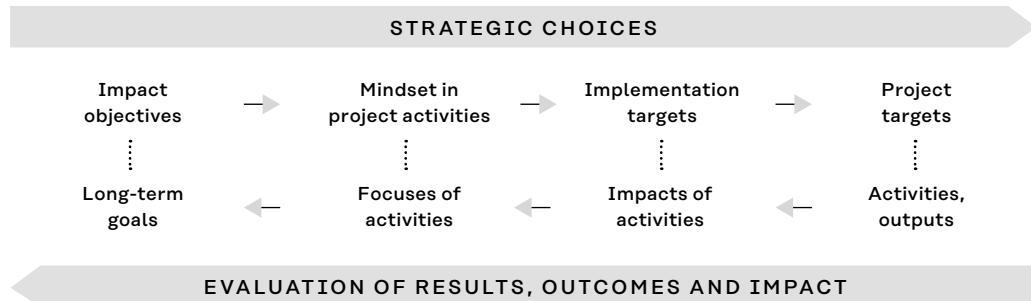
Management reporting also includes the reviews and reports produced for Sitra's Board of Directors, Supervisory Board and Parliament: the annual report submitted to Parliament details Sitra's activities and societal impact once



a year; a review of topical matters is provided to the Supervisory Board four times a year and to the Board of Directors three times a year.

Sitra's internal audit assesses the appropriateness and productivity of Sitra's monitoring, management and administrative processes. For the period 2016 to 2019, KPMG Oy Ab is responsible for Sitra's internal audit. Auditors appointed by Parliament are responsible for the audit of the accounts and, in 2017, BDO Oy acted as the assisting auditor.

## FROM CHOICES TO IMPACT



**2.** From outputs to outcomes and impact. External and internal evaluations reflect the success of future-oriented work from a critical point of view.

The achievement of the project and implementation targets set for the focus areas and other central projects is monitored and assessed regularly against the indicators set for them. The targets of basic functions are compared with the achievements on an annual basis.

In addition to internal self-assessment, the monitoring and analyses of impact are supported by an external, independent impact assessment and separate external evaluations carried out on selected projects. In 2017, the external evaluation of projects focused specifically on the processes of the Ratkaisu 100 challenge prize and the KulttuuriVOS project.

The starting points for a wider impact assessment are impact objectives, which describe Sitra's goals and tasks in the long term and the organisation's role in Finnish society. In 2017, two impact assessments by external independent evaluators were conducted and published. They analysed the impact of Sitra's work during the period 2011–2017. The "Well-being accelerator" assessment conducted by Owal Group Oy examined the realisation of the

impact objective related to holistic well-being, and the "Driver of change and playmaker in the economy" assessment conducted by 4Front Oy and VTT Oy in turn focused on the impact objective related to regeneration of the economy and communality. All of Sitra's impact objectives will be evaluated by 2019.

**3.** Learning. Evaluation leads to constant learning and development.

The objective of evaluation is to ensure and show that Sitra does the right things, at the right time and in the most effective way possible. At the third level of responsible and productive activities, the emphasis is on continuous learning, reflection and also on the use of the results of the evaluation to benefit the activities.

The lessons learned at the third level of evaluation and monitoring will be taken back into the activities and their planning. This is done by continuously examining the projects in the preparation and implementation stages, by analysing the impact of the work and through the work of an internal strategy panel.

In addition, Sitra has an independent, international expert panel that provides a global view on Sitra's strategic choices and also supports Sitra's activities in international arenas.

# Sitra employees

**WORK AT SITRA** is societal advisory work governed by Sitra's vision and strategy and the objectives determined for each project.

The anticipation of future development trends and the complex societal change projects require employees to have in-depth expertise in their own fields and a broad understanding of societal activities and how changes are followed through. People at Sitra have traditionally been highly educated. Currently, almost 90% of Sitra employees have a higher education degree and 22 people also have a licentiate or a doctoral degree.

At the end of 2017, Sitra had 159 employees (2016: 156, 2015: 139). Because of the project-based nature of Sitra's operations, 33 new employment contracts began and 35 ended during the year 2017. Some 55% of Sitra's staff were on permanent contracts and 45% on fixed-term employment contracts. The proportion of part-time employees in the total number of staff was 15%. In 2017, 66% of Sitra's employees were women and 34% were men. In the management group, the respective proportions were 44% women and 56% men.

In the past five years, the number of Sitra's employees has grown from 118 to 159. The reason for the increase is the growing volume of activities dictated by Sitra's strategy: the costs arising from the focus areas and projects implemented in Sitra's five project functions (Carbon-neutral circular economy, Capacity for renewal and New working life and a sustainable economy themes, and the Foresight and insight and Societal training functions) have increased from 6.8 million to 14.1 million euros.

As Sitra is a project organisation, its personnel structure and policy also support project-based work and transferring from one subject area to another. A larger number of permanent employees work in the permanent, "basic" functions, while experts in relevant fields are largely employed on fixed-term contracts for project functions. Job rotation is used to help share and develop expertise.

## Competence and co-operation drive advisory work

The turnover among Sitra's personnel was 21% in 2017. The high turnover and flexible forms of employment contracts are not only Sitra's strength and a precondition for its agility, but also an internal challenge. The organisation must have good practices for ensuring that the competence gained in future-oriented work is accumulated for the benefit of future projects.

The sharing of expertise and productive co-operation play an important part in an organisation such as Sitra: familiarisation, team-specific steering cycle-based discussions held twice a year, active multi-channel communication in the work community, and competence networks covering the entire work community.

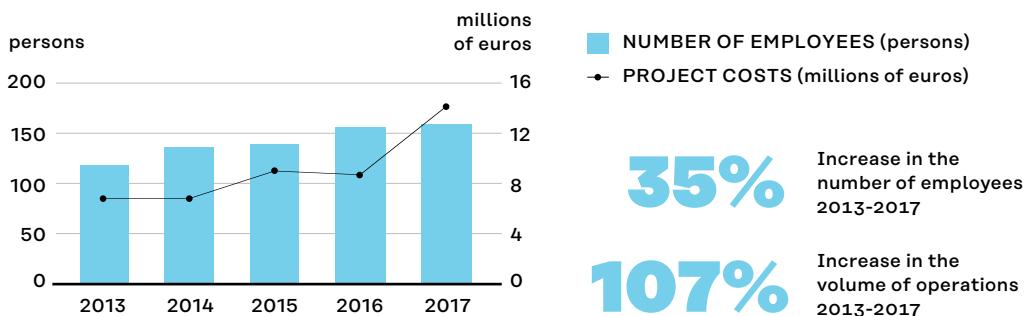
The competence networks offer the development of competence related to the core capabilities in future-oriented work. The aim of the activities of the competence networks is inspiring a culture of sharing and doing things together, the ambitious development of competences, and the use and sharing of best practices.

## A year of changes ahead in 2018

The interpretation of Sitra's judicial position changed with the report following a decision made by the Parliamentary Ombudsman in 2016. As a result of that process, Sitra made the decision to start complying with the Act on the Openness of Government Activities immediately, or as soon as possible. In 2016, an internal change process was initiated with the aim of bringing Sitra's operating practices, systems and the competence of its personnel into line with the requirements of the general acts concerning administration by 2019.

The change is significant as Sitra's operating practices and systems have not been built with the general acts concerning administration in mind. At the first stage, Sitra will establish a registry and a recording system, update its archiving plan and change its operating practices and systems in the administration of projects and documents to meet the requirements of the new situation. Some of the reforms will require a new way of planning resources, justified procurements and well-prepared competitive tendering, so it is only natural that the change cannot take place overnight.

## NUMBER OF PERSONNEL AND VOLUME OF OPERATIONS AT SITRA 2013-2017



## SITRA EMPLOYEES IN PERCENTAGE

EMPLOYMENT CONTRACTS	<b>55%</b> permanent	<b>45%</b> fixed-term
GENDER DISTRIBUTION	<b>66%</b> women	<b>34%</b> men
	<b>44%</b> women in management team	<b>56%</b> men in management team
EDUCATION	<b>89%</b> higher education	<b>11%</b> other education



# Investment activities

**THE BANK OF FINLAND** and the Finnish Parliament gave Sitra an endowment capital, which, responsibly invested, will yield profits for financing the future-oriented work at Sitra. In addition to investment activities involving the endowment capital, Sitra invests in venture capital funds to promote Finland's competitiveness and business activities aimed at sustainable well-being.

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

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

In 2017, the world economy grew faster than it had since 2011 and the statistics on the economy both in the United States and in Europe were strong as a whole. In the developing markets, the economies of China and India in particular grew at an annual rate of more than 6%. The positive development was mirrored in Finland, with GDP growth of just over 3%. Exports, investments and consumption saw a considerable increase and positive development was seen in a number of different sectors.

The positive trend in the world economy was clearly favourable for the stock market in 2017. This concerned especially the market in the United States where the expectations of a business-friendly economic policy acted as an element supporting the markets. There was a more moderate increase in share prices in the

euro zone than in the United States, mainly because of weaker business news. In the developing markets, share prices saw a strong increase for a second year, but the states of the different economies vary considerably.

In the interest markets, the Federal Reserve, the central bank of the United States, increased the key interest rate to 1.5% and the European Central Bank announced it would reduce its purchase programme of promissory notes. The tightening monetary policy operations of the central banks continue to direct fixed capital to riskier fixed-income investment options and alternative investments, such as property and venture capital funds.

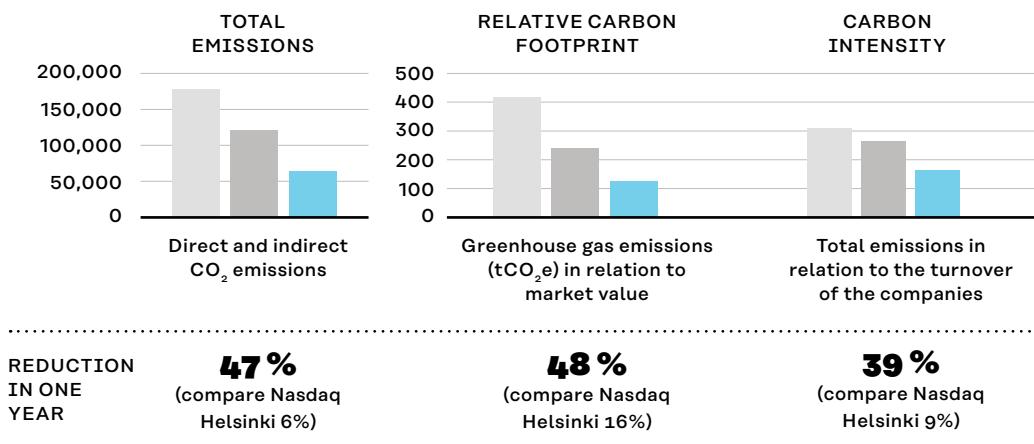
At the end of 2017, the market value of Sitra's endowment capital was 840 million euros (807 million euros in 2016). During the year in review, the endowment capital yielded a return of 7.7% (7.1%). The total allocation of Sitra's endowment capital at the turn of the year was as follows: shares 51% (53%); interest-rate instruments 37% (36%); and other investments 12% (11%). The endowment capital is mainly invested in funds. Sitra makes the decisions on the allocations, but the funds decide on the individual investment targets independently, as per the fund's rules.

During the year, the weight of equity was reduced by allocating more funds to alternative investments and to fixed-income products with a higher risk. Sitra discontinued investments in the government bonds of OECD countries because there is little belief that interest rates will fall in the foreseeable future. The first

## EMISSIONS AND CARBON FOOTPRINT OF SITRA'S DOMESTIC EQUITY INVESTMENTS

Investors can calculate the carbon footprint of their portfolio using the investor tool developed by Sitra. Below is an example of results provided by the carbon screening tool.

■ 2015 ■ 2016 ■ 2017



investment in loans of microfinance institutions was made by subscribing to the SEB Microfinance V fund. Together with the OP Group and other investors, Sitra participated in the debt financing of LeaseGreen Group, which promotes the energy efficiency of properties. In addition, Sitra made a commitment to invest in Capman Nordic Real Estate II real estate private equity fund, which invests in business and office facilities, and in the EQT Mid Market Asia III venture capital fund.

### Venture capital funds as tools for future-oriented work

As in previous years, in 2017 Sitra invested in venture capital funds. As an investor, Sitra seeks a social impact as well as returns, but its activities are market-based, i.e. investment transactions are conducted in compliance with the same investment principles as those that govern all other investors. During 2017, Sitra

invested a total of 11 million euros in three venture capital funds that invest in growth companies in Finland and Europe.

The Vendep Capital Fund II Ky invests mainly in Finnish early growth-stage companies that offer company software. The size of the fund is 32 million euros.

The French Ventech Capital V fund invests in European growth-stage ICT companies in the growth stage. Ventech also has an office in Finland. In the first closing, commitments to invest so far total about 110 million euros.

The first closing of Inventure Fund III Ky took place in December at 110 million euros. It is currently the largest Finnish venture capital fund investing in early-stage technology companies. The fund invests in companies that develop future transport solutions, artificial intelligence, telecommunications solutions and health and well-being technology in the Nordic

*As an institutional investor, Sitra's task is to bear economic risks in the development of sustainable business activities in Finland.*

countries and the Baltic states. In addition to Sitra, the other investors include the European Investment Fund (EIF), Finnish Industry Investment (Tesi), Kasvurahastojen Rahastot, Elo, Ilmarinen and Nordea Life.

In addition, Sitra invested 1.5 million euros in the Kotouttaminen I fund (SIB), administered by Epiqus Oy and aimed at more rapid employment of immigrants. To our knowledge, the fund is the largest SIB fund in Europe measured by commitments to invest (13.5 million euros).

During 2017, Sitra exited six fund investments. At the end of the year, Sitra had investments in 53 venture capital funds, of which 14 are investments of its endowment capital.

At the end of 2017, Sitra's portfolio included 20 companies (24 companies at the end of 2016). During the year, follow-on investments were made in four companies already in the portfolio. Sitra participated in the financing arrangements of Nexstim Oyj listed on First North. Other follow-on targets were AW-Energy, which commercialises wave energy technology; Omegawave, which focuses on sports technology; and KC-Holding 3 Oy, which holds shares in the British company Isogenica Ltd.

## **Responsibility in investing**

Sitra invests its assets responsibly aiming at a 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 principles of the UN-supported Principles for Responsible Investment (PRI). As a signatory to the PRI, Sitra is committed to constantly developing its responsible investment practices and the first responsibility report in accordance with the PRI was carried out in spring 2017. Sitra has also been a member of Finland's Sustainable Investment Forum, FINSIF, since 2013. As a member of FINSIF, Sitra has been able to exchange experiences and best practices with other investors.

The carbon footprint was calculated for the first time in 2015. With this calculation, an estimate of the climate risks of the shareholdings is obtained on an annual basis. The carbon footprint of Sitra's Finnish shareholdings was calculated in the autumn and the overall emissions (Scope 1, 2 and 3) had fallen from 120,000 tonnes of carbon dioxide emissions (CO<sub>2</sub>e) to 64,000 tonnes.

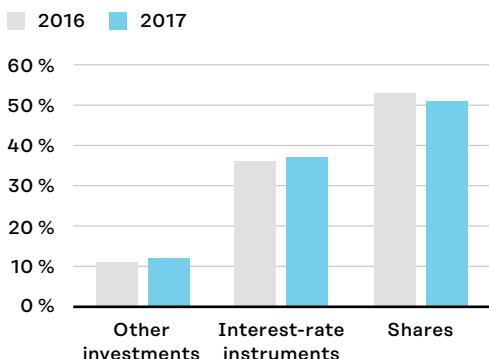
One of the approaches in responsible investing is impact investing. In addition to profit, impact investments are aimed at considerable societal impacts. Sitra has had a significant role in the creation of the new instrument for impact investing, Social Impact Bonds, in the Finnish market. Read more about impact investing in the section "New working life and a sustainable economy" in this report.

## INVESTMENTS BY THE FINNISH STATE IN SITRA'S ENDOWMENT CAPITAL

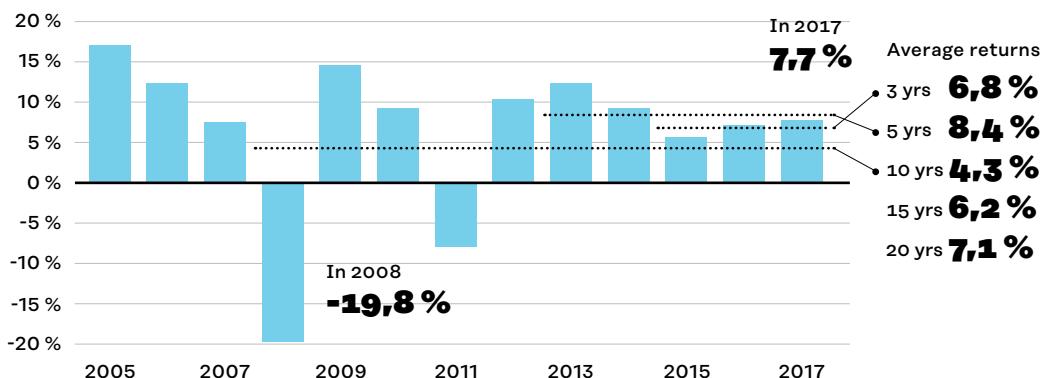
1967	<b>16,8 M€</b>
1972	<b>16,8 M€</b>
1977	<b>16,8 M€</b>
1981	<b>16,8 M€</b>
1992	<b>16,8 M€</b> (Nokia)
<b>Total</b>	<b>84,1 M€</b>

In addition, the endowment capital has been increased by 151.4 million euros through transfers at the level of accounting.  
Nominal value of the endowment capital 235.5 million euros.

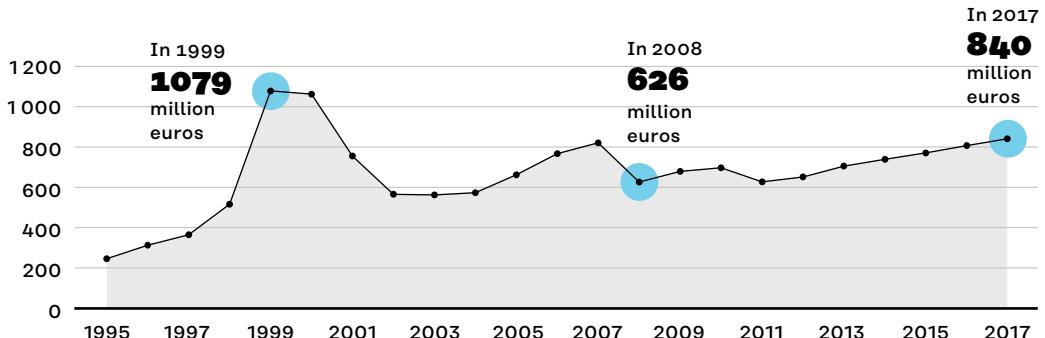
## ALLOCATION OF THE ENDOWMENT CAPITAL



## RETURNS FROM SITRA'S ENDOWMENT CAPITAL 2005–2017



## MARKET VALUE OF ENDOWMENT CAPITAL, MILLION EUROS 1995–2017



# Administration and proposal for the disposal of surplus

## Board of Directors

Sitra's Board of Directors met nine times during the year under review. Its members are Permanent Secretary Martti Hetemäki (chairperson), Permanent Secretary Jari

Gustafsson (vice-chairperson), Permanent Secretary Anita Lehikoinen, Professor Anne Kovalainen, Kirsi Sormunen and President Mikko Kosonen.



**MARTTI HETEMÄKI**

Permanent Secretary,  
Ministry of Finance



**JARI GUSTAFSSON**

Permanent Secretary,  
Ministry of Economic Affairs  
and Employment



**ANITA LEHIKOINEN**

Permanent Secretary,  
Ministry of Education  
and Culture



**ANNE KOVALAINEN**

Professor,  
University of Turku



**KIRSI SORMUNEN**

Board Professional



**MIKKO KOSONEN**

President,  
Sitra

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

### **Supervisory Board**

Sitra's Supervisory Board is made up of the Parliamentary Supervisory Council of the Bank of Finland, which is appointed by the Finnish Parliament. The Supervisory Board met five times during the year under review. Its members were MPs Matti Vanhanen (chairperson), Pentti Oinonen (vice-chairperson), Olavi Ala-Nissilä (until 9 May 2017), Kalle Jokinen, Antti Kaikkonen (from 10 May 2017), Seppo Kääriäinen, Jutta Urpilainen, Pia Viitanen, Ville Vähämäki and Ben Zyskowicz. The secretary to the Supervisory Board was Anton Mäkelä, LLM.

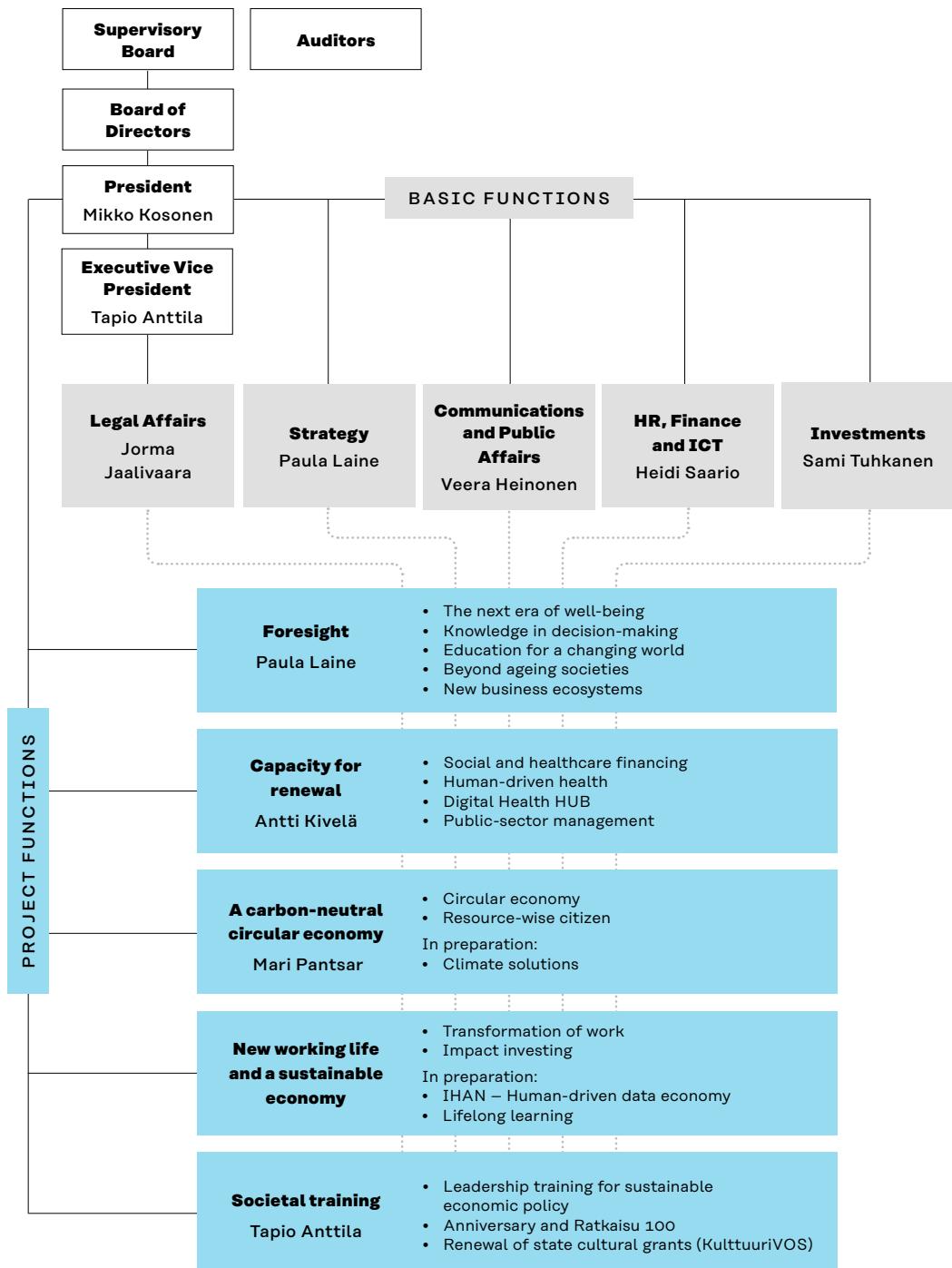
### **Auditors**

At the end of 2017, the following individuals appointed by Parliament were Sitra's auditors: Sanna Lauslahti, National Coalition Party (deputy member: Markku Eestilä, National Coalition Party); Esko Kiviranta, Centre Party (deputy member: Tapani Tölli, Centre Party); Toimi Kankaanniemi, Finns Party (deputy member: Ville Tavio, Finns Party); Markku Koskela, APA (deputy member: Hannu Riippi, APA); and Lotta Kauppila, APA (deputy member: Veli Vanhanen, APA). Professor Markku Koskela, APA, acted as the secretary to the auditors. BDO Oy acted as Sitra's assisting auditor, and Tiina Lind, APA, CFP, as the principal auditor. KPMG Oy Ab, appointed by the Supervisory Board, was responsible for Sitra's internal audit and the audit of the funded projects, and the principal auditor was Harri Leppiniemi, CIA, CCSA, CRMA.

### **Proposal for the disposal of surplus**

The Board of Directors proposes that the net surplus for the financial year – EUR 8,213,867.20 – be carried forward to the retained surplus/deficit account.

## SITRA'S ORGANISATION ON 31 DECEMBER 2017



# **Financial**

## Statements 2017

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# PROFIT AND LOSS ACCOUNT

EUR		Realised 2017	Realised 2016
<b>Income</b>	4	<b>2,303,820</b>	<b>1,947,831</b>
<b>Expenses</b>			
Personnel costs	1	-14,775,269	-13,791,710
Expenses from projects	2	-14,088,817	-8,686,803
Investment expenses	4	-5,653,878	-11,207,490
Depreciation		-150,150	-132,808
Other expenses	3	-4,389,616	-4,650,329
<b>Total expenses</b>		<b>-39,057,729</b>	<b>-38,469,140</b>
<b>Endowment capital</b>			
Income from endowment capital		43,380,512	41,253,089
Expenses from endowment capital		1,587,264	98,625
<b>Total endowment capital</b>	4	<b>44,967,776</b>	<b>41,351,714</b>
<b>Surplus/deficit for the financial year</b>		<b>8,213,867</b>	<b>4,830,404</b>

# BALANCE SHEET

EUR		Realised 2017	Realised 2016
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible assets	5	2,821	6,137
Tangible assets	5	472,750	444,662
Investments	6	720,410,118	710,083,694
<b>Total fixed assets</b>		<b>720,885,689</b>	<b>710,534,494</b>
<b>Current assets</b>			
Receivables	7	461,346	521,825
Cash and cash equivalents		4,230,131	4,523,366
<b>Total short-term assets</b>		<b>4,691,478</b>	<b>5,045,191</b>
<b>Total assets</b>		<b>725,577,166</b>	<b>715,579,685</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Endowment capital		235,463,097	235,463,097
Surplus/deficit for previous financial years		475,829,774	470,999,369
Surplus/deficit for the financial year		8,213,867	4,830,404
<b>Total equity</b>		<b>719,506,738</b>	<b>711,292,871</b>
<b>Liabilities</b>			
Short-term liabilities	8	6,070,428	4,286,814
<b>Total liabilities</b>		<b>6,070,428</b>	<b>4,286,814</b>
<b>Total equity and liabilities</b>		<b>725,577,166</b>	<b>715,579,685</b>

# ACCOUNTING PRINCIPLES

## **Presenting the financial statements**

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

## **Valuation of investments**

Shares, participation rights and bonds in endowment investments have been valued at the lower of either the original acquisition cost or the market value, in accordance with the market principle. Value adjustments have been made by acquisition item. The most recent trading quote was used as the current value of shares. The current value of participation rights is the NAV (net asset value) reported by the fund management company. The current value of the bond was evaluated on the basis of the solvency and interest rates of the issuer.

Investments in portfolio companies and venture capital funds are valued at the original acquisition cost or a lesser 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.

## **Valuation of fixed assets**

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

Planned depreciation periods:

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

## **Items in foreign currencies**

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

# NOTES TO FINANCIAL STATEMENTS

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

## 1 Personnel costs

Personnel costs

<b>EUR 1,000</b>	<b>2017</b>	<b>2016</b>
Wages and salaries	-10,923	-10,119
Pension expenses	-2,257	-2,141
Other statutory payroll expenses	-534	-591
Other payroll expenses	-1,060	-940
<b>Total</b>	<b>-14,775</b>	<b>-13,792</b>

Other payroll expenses include an additional pension insurance for the entire personnel, EUR 304,000, which includes an old-age pension, a disability pension and an unemployment pension and a bereavement payment. The retirement age is 65 years and the pension is determined on the basis of the accrued pension savings. In 2017, it was 3% of the person's TyEL earnings in 2017.

The wages and remunerations of management included in personnel costs.

<b>EUR 1,000</b>	<b>2017</b>	<b>2016</b>
Supervisory Board	-30	-29
Board of Directors	-47	-46
President	-267	-256
<b>Total</b>	<b>-344</b>	<b>-331</b>

The number of personnel at the end of the year was 159 (2016: 156).

## 2 Expenses from projects

EUR 1,000	2017	2016
<b>Foresight</b>	<b>-929</b>	<b>-551</b>
<b>Capacity for renewal</b>		
Theme level	-270	-369
Digital Health HUB	-3,404	-836
Human-driven health	-520	-232
Social and healthcare financing	-826	-1,000
Society 2.0	-24	0
Public-sector management	-154	0
Completed focus areas	-197	-963
<b>Total</b>	<b>-5,395</b>	<b>-3,400</b>
<b>A carbon-neutral circular economy</b>		
Theme level	-328	-405
Carbon-neutral industry	-401	-947
Circular economy	-2,494	-679
Resource-wise citizen	-705	-22
Completed focus areas	0	-206
<b>Total</b>	<b>-3,928</b>	<b>-2,261</b>
<b>New working life and a sustainable economy</b>		
Theme level	-123	-87
Transformation of work	-410	-352
Impact investing	-270	-414
<b>Total</b>	<b>-803</b>	<b>-854</b>
<b>Societal training</b>		
Level of activity	-23	-113
Anniversary and Ratkaisu 100	-1,681	-811
Economic policy training	-128	-137
KulttuuriVOS	-164	-162
<b>Total</b>	<b>-1,996</b>	<b>-1,223</b>
<b>Management</b>	<b>-18</b>	<b>-12</b>
<b>Strategy</b>	<b>-276</b>	<b>-2</b>
<b>Legal Affairs</b>	<b>-26</b>	<b>0</b>
<b>Communications and Public Affairs</b>	<b>-223</b>	<b>-200</b>
<b>Administration</b>	<b>-465</b>	<b>-184</b>
<b>Investments</b>	<b>-30</b>	<b>0</b>
<b>Total</b>	<b>-14,089</b>	<b>-8,687</b>

### 3 Other expenses

<b>EUR 1,000</b>	<b>2017</b>	<b>2016</b>
Real estate expenses	-1,243	-1,646
ICT expenses	-764	-726
Advisory services	-762	-609
Communications and Public Affairs	-473	-521
Other expenses	-1,149	-1,148
<b>Total</b>	<b>-4,390</b>	<b>-4,650</b>

### 4 Income and expenses from investments

<b>EUR 1,000</b>	<b>2017</b>	<b>2016</b>
<b>Income from investments</b>		
Profits on the sale of investments	36,384	36,146
Interest income	127	227
Dividend income	1,327	1,108
Income from fund investments	6,818	5,492
Other income	1,028	227
<b>Total</b>	<b>45,684</b>	<b>43,201</b>

<b>EUR 1,000</b>	<b>2017</b>	<b>2016</b>
<b>Expenses from investments</b>		
Losses on realisation of investments	-1,252	-1,661
Remunerations	-516	-484
Change in value	-2,292	-8,672
Other expenses	-6	-291
<b>Total</b>	<b>-4,067</b>	<b>-11,109</b>

## 5 Tangible and intangible assets

During the year, Sitra acquired fixed assets amounting to EUR 0.2 million (EUR 0.2 million in 2016).

<b>EUR 1,000</b>	<b>Book value</b>	<b>Increases</b>	<b>Decreases</b>	<b>Depre- ciation</b>	<b>Book value</b>
	<b>1.1.2017</b>				<b>31.12.2017</b>
<b>Intangible assets</b>					
ICT programmes	6	0	0	-3	3
<b>Total</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>3</b>

<b>EUR 1,000</b>	<b>Book value</b>	<b>Increases</b>	<b>Decreases</b>	<b>Depre- ciation</b>	<b>Book value</b>
	<b>1.1.2017</b>				<b>31.12.2017</b>
<b>Tangible assets</b>					
Machinery and equipment	224	175	0	-147	252
Renovation of office premises	0	0	0	0	0
Fixed assets shares and participations	9	0	0	0	9
Other tangible assets	212	0	0	0	212
<b>Total</b>	<b>445</b>	<b>175</b>	<b>0</b>	<b>-147</b>	<b>473</b>

## 6 Investments

<b>EUR 1,000</b>	<b>2017</b>	<b>Förändring</b>	<b>2016</b>
Business development and funding	6,397	-3,659	10,055
Venture capital funds	35,403	-3,460	38,864
Endowment capital investments			
Shares	2,296	210	2,086
Fund investments	630,694	15,632	615,062
Private equity fund investments	42,731	631	42,100
Real estate investments	1,487	-11	1,498
Unit-linked insurances	698	698	0
Bonds	390	-26	416
Short-term investments	10	8	2
<b>Total</b>	<b>720,107</b>	<b>10,023</b>	<b>710,084</b>

**INVESTMENTS IN PORTFOLIO COMPANIES**

Shares, participations and other investments held by Sitra

<b>EUR 1,000</b>	<b>Shares and participations</b>		<b>Capital loans and other loans</b>	<b>Amount total</b>
	<b>Holding</b>	<b>Amount</b>	<b>Amount</b>	
Aura Mare Oy	0 %	0	625	625
AW-Energy Oy	12 %	1,893	907	2,800
Crisolteq Oy	0 %	0	300	300
FIT Biotech Oy	6 %	15,594	300	15,894
KC-Holding 3 Oy	38 %	2,344	11	2,355
Kuntien Tiera Oy	0 %	0	4,259	4,259
Loudspring Oyj	2 %	237	0	237
MediXine Oy	15 %	1,126	0	1,126
Mesera Cranes Finland Oy	0 %	0	100	100
Mobidiag Oy	1 %	5,183	618	5,801
NaturVention Oy	7 %	623	0	623
Nexstim Oyj	10 %	14,352	0	14,352
Odum Oy	45 %	885	0	885
Omegawave Oy	29 %	3,171	280	3,450
Optomeditech Oy	13 %	600	0	600
ProFlax Oy	10 %	13	135	148
Savo-Solar Oyj	2 %	2,787	0	2,787
Sustainable Energy Asset Management Oy	40 %	170	280	450
Vivago Oy	41 %	4,077	310	4,387
Vivoxid Oy	38 %	5,364	0	5,364
		58,418	8,126	66,543
<b>Total business development and funding</b>				<b>66,543</b>
<b>Cumulative change in value</b>				<b>-60,147</b>
<b>Book value</b>				<b>6,397</b>

**VENTURE CAPITAL FUNDS**

Sitra's investments in funds

<b>EUR 1,000</b>	<b>Registered office</b>	<b>Amount</b>
AC Cleantech Growth Fund I Ky	Finland	5,000
Apple Tree Partners II L.P.	Delaware, USA	0
Armada Mezzanine Fund III Ky	Finland	247
Baltic Investment Fund III L.P.	Jersey	311
Boston Millennia Partners L.P.	Delaware, USA	1,284
CapMan Russia Fund L.P.	Guernsey	3,211
Capricorn Cleantech Fund	Belgium	4,000
Chrysalix Energy III Ltd	Delaware, USA	4,015
Crescendo III L.P.	Delaware, USA	1,799
Dasos Timberland Fund II	Luxembourg	3,198
Edison Venture Fund IV L.P.	Delaware, USA	0
Epiqus Kotouttaminen I Ky	Finland	320
Epiqus Työhyvinvoitti I Ky	Finland	288
Folmer Equity Fund I Ky	Finland	1,685
Innkap II Partners	Sweden	851
InnKap III Partners	Guernsey	2,049
Inventure Fund II Ky	Finland	1,718
Korona Fund III Ky	Finland	880
Lifeline Ventures Fund I Ky	Finland	1,171
Lifeline Ventures Fund III Ky	Finland	752
MB Equity Fund Ky	Finland	0
NegaWatt Energiatehokkuusrahasto 2 Ky	Finland	658
Nordia Rahasto Oy	Finland	3,229
Palvelurahasto I Ky	Finland	1,863
Power Fund III Ky	Finland	1,854
SET Fund II C.V.	The Netherlands	1,391
Social Impact Accelerator	Luxembourg	180
Spintop Investment Partners II AB	Sweden	1,191
Strategic European Technologies N.V.	The Netherlands	3,010
Terveysrahasto Oy	Finland	633
The Russian Technology Fund L.P.	Delaware, USA	140
Trident Capital Fund-V L.P.	Delaware, USA	357
Vendep Capital Fund II Ky	Finland	120
Ventech Capital II L.P.	France	2,116
Ventech Capital V SLP	France	250
Verdane ETF II SPV Ky	Finland	1,372
VisionPlus Fund I Ky	Finland	4,444
		55,589
<b>Total venture capital fund investments</b>		<b>55,589</b>
<b>Cumulative change in value</b>		<b>-20,186</b>
<b>Book value</b>		<b>35,403</b>

**ENDOWMENT CAPITAL INVESTMENTS**

<b>EUR 1,000</b>	<b>Registered office</b>	<b>Book value</b>	<b>Market value</b>
<b>Shares</b>			
Nokia Oyj	Finland	1,460	7,424
Technopolis Oyj	Finland	836	836
<b>Total</b>		<b>2,296</b>	<b>8,260</b>
<b>Fund investments</b>			
<b>Equity funds</b>			
Aberdeen Global World Equity A2	Luxembourg	31,030	52,597
Alfred Berg Suomi Focus B	Finland	10,315	10,862
C Worldwide Emerging Markets	Luxembourg	3,098	3,481
Danske Invest Suomi Yhteisöösake K	Finland	56,530	67,165
Fondita 2000+ B	Finland	12,521	25,903
Handelsbanken Eurooppa Indeksi (A1 EUR)	Sweden	16,953	18,218
Impax Environmental Markets Euro A	Ireland	18,027	30,120
JP Morgan Global Equity F USD XE	Luxembourg	76,938	89,376
JPM Emerging Markets Equity Fund I EUR	Luxembourg	36,206	42,742
OP-Suomi A	Finland	59,704	81,722
<b>Bond funds</b>			
Aktia Emerging Market Bond+ D	Finland	14,620	17,707
Bluebay Investment Grade Bond IB EUR	Luxembourg	53,265	59,309
Danske Invest Em Markets Debt K	Finland	11,234	14,101
Danske Invest Yhteiskorko K	Finland	94,446	94,934
Eqli European High Yield B	Finland	20,859	29,069
LähiTapiola Yrityskorko A	Finland	41,168	52,481
OP-EMD Local Currency A	Finland	16,392	16,998
SEB Global High Yield B	Finland	17,420	21,780
SEB Microfinance Fund V	Luxembourg	2,970	2,970
<b>Other quoted investments</b>			
BNP Paribas Property Securities Fund Europe	The Netherlands	9,010	9,461
eQ Hoivakiinteistöt 1 T	Finland	9,739	10,487
eQ Metsä 1 T	Finland	54	57
UB Global REIT K	Finland	12,056	14,343
UB Metsä I	Finland	4,000	4,118
Ålandsbanken Asuntorahasto			
Erikoissijoitusrahasto C	Finland	2,138	2,532
<b>Total</b>		<b>630,694</b>	<b>772,533</b>

<b>EUR 1,000</b>	<b>Registered office</b>	<b>Book value</b>	<b>Market value</b>
<b>Private equity fund investments</b>			
Access Capital Fund II	Guernsey	0	14
Bocap SME Achievers Fund II Ky	Finland	352	272
Boston Millennia Partners II L.P.	Delaware, USA	514	359
Bridgepoint Europe V	UK	2,672	2,792
CapMan Buyout X	Finland	2,584	3,852
Crescendo IV, L.P.	Delaware, USA	0	282
European Fund Investments II	United Kingdom	299	274
MB Equity Fund V Ky	Finland	755	578
Sentica Buyout IV Ky	Finland	3,832	4,627
Standout Capital I AB	Sweden	502	438
Vaaka Partners Buyout Fund II Ky	Finland	4,044	6,716
Verdane Capital IX (E) AB	Sweden	1,026	1,180
Verdane Capital VIII K/S	Denmark	3,373	4,868
<b>Real estate private equity funds</b>			
Aberdeen Property Fund Finland I Ky (APFF)	Finland	2,029	2,029
BPT Healthcare II KY	Finland	4,100	7,110
Capman Nordic Real Estate FCP-SIF	Luxembourg	3,683	6,695
Capman Nordic Real Estate II FCP-RAIF	Luxembourg	38	27
ICECAPITAL Residential Property Fund I Ky	Finland	3,000	3,702
LähiTapiola Asuntorahasto Prime Ky	Finland	5,000	5,251
OP Toimitilakiinteistö Ky	Finland	3,000	3,053
Real Estate Debt and Secondaries Ky	Finland	1,926	1,967
<b>Total</b>		<b>42,731</b>	<b>56,084</b>
<b>Real estate investments</b>			
Erottajan Pysäköintilaitos Oy	Finland	1,487	2,184
<b>Total</b>		<b>1,487</b>	<b>2,184</b>
<b>Unit-linked insurances</b>			
OP Henkivakuutus kapitalisaatiosopimus	Finland		
LeaseGreen Group Oy loan 30 June 2025		469	469
OP-Suomi A		193	193
Cash		36	36
<b>Total</b>		<b>698</b>	<b>698</b>

<b>EUR 1,000</b>	<b>Registered office</b>	<b>Book value</b>	<b>Market value</b>
<b>Bonds</b>			
Leverator Oyj 21 June 2018	Finland	390	390
<b>Total</b>		<b>390</b>	<b>390</b>
<b>Short-term investments</b>			
Other short-time investments		10	10
<b>Total</b>		<b>10</b>	<b>10</b>
<b>Total endowment capital investments</b>		<b>678,307</b>	<b>840,159</b>

The market value of endowment capital investments in venture capital funds is based on the latest NAV announced by the fund, adjusted with the cash flows between the date the value was calculated and the date of the financial statement. 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

<b>EUR 1,000</b>		<b>Amount</b>	<b>Change in value</b>	<b>Book value</b>
Name	Sitra Management Oy	405	-101	303
Registered office	Finland			
Holding	100 %			
Equity	244			
Surplus/deficit for the financial year	-67			

The latest adopted financial statements of Sitra Management Oy are from 2016.

Sitra has holdings in the following management companies and profit-distributing companies through Sitra Management Oy:

### Management companies:

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

### Profit-distributing companies:

- BIF Management Ltd

## 7 Receivables

<b>EUR 1,000</b>	<b>2017</b>	<b>2016</b>
<b>Accrued income and deferred charges</b>		
Accrued income from investments	15	36
Other accrued income	263	284
<b>Total</b>	<b>278</b>	<b>320</b>
<b>Accounts receivable</b>	<b>184</b>	<b>202</b>
<b>Total</b>	<b>461</b>	<b>522</b>

## 8 Short-term liabilities

<b>EUR 1,000</b>	<b>2017</b>	<b>2016</b>
Advance payments	98	49
Accrued expenses and deferred income	3,390	2,491
Accounts payable	2,287	1,276
Other short-term liabilities	296	470
<b>Total</b>	<b>6,070</b>	<b>4,287</b>

## 9 Securities and contingent liabilities

<b>EUR 1,000</b>	<b>Expiry in 2018</b>	<b>Total liabilities</b>
Fund commitments		61,348
Financial agreement fees	5,318	7,407
Rental liabilities	1,053	2,850
<b>Total</b>		<b>71,606</b>

## SIGNATURES TO BOARD REPORT AND FINANCIAL STATEMENTS

Helsinki, 28 February 2018



MARTTI HETEMÄKI



JARI GUSTAFSSON



ANNE KOVALAINEN



ANITA LEHIKOINEN



KIRSI SORMUNEN



MIKKO KOSONEN

## AUDITORS' REPORT

As the auditors appointed by Parliament, we have audited the accounts, financial statements, annual report and administration of Sitra, the Finnish Innovation Fund, for the financial period 1 January to 31 December 2016, in accordance with good audit practices. The financial statements comprise a profit and loss account, balance sheet and notes to the financial statements.

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

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

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

Helsinki, 9 March 2018



Sanna Lauslahti



ESKO KIVIRANTA



TOIMI KANKAANNIEMI



LOTTA KAUPPILA, APA



MARKKU KOSKELA, APA

# Appendices

Summary of the evaluation "Accelerator of well-being" .....	54
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Summary of the evaluation of the effectiveness goal "Addressing well-being in a holistic way". The evaluation (in Finnish) is available at: [www.sitra.fi/strategia](http://www.sitra.fi/strategia)

**OWAL GROUP OY**

EVALUATION

# Accelerator of well-being

## **Starting point of the evaluation**

The evaluation has produced information concerning the impact goal "Addressing well-being in a holistic way". The task of the evaluation has been to produce reliable and independent information to support Sitra's strategic management, directing and developing activities, and to produce information on ways to advance sustainable well-being. In addition, the task of the evaluation has been to promote openness, transparency, and interaction toward stakeholders in the activities of Sitra.

Evaluation questions set for the evaluation are aimed at having Sitra make successful choices, promoting systemic changes in Sitra's effectiveness mechanisms and role, and in the effectiveness goal of broader societal development.

The evaluation is primarily based on qualitative material and in it Sitra's actions

(programmes, focus areas, and individual projects) from 2011 to 2016 are also examined. In addition, the evaluation describes the development of the effectiveness goal in Finland. The evaluation is based on slightly more than 70 interviews which cover the key stakeholders.

## **Change in thinking on well-being in the 2010s**

Sitra has been a pioneer in the change of thinking on well-being. Most of the actions that have been carried out involve creating the possibilities for others to act according to the vision - the influence that is sought has come about especially through the creation of possibilities for action by other actors.

Thinking based on a broad concept of well-being and the paradigm of political action has not significantly changed in Finland. Sitra has succeeded in some areas in raising the

experienced well-being and understanding on the factors in the background of well-being into open discussion. On the basis of the evaluation, the subject is still topical.

### **Sitra's contribution**

Sitra is an accelerator of possibilities for comprehensive well-being. A contribution connected with accelerating change comes about especially through Sitra's flexible practices, strong stakeholder cooperation processes, ability to take risks, and possibilities to seek out international points of comparison and to bring vision "from outside in". According to the evaluation Sitra's contribution in the area of the effectiveness goal crystallizes into four main observations.

In most key areas the significance of Sitra's activities for stakeholders can be seen especially as an accelerator of change and in speeding up the early stages of development work. Although in some situations the same things could have ended up on the agenda of development work, it is estimated that the pace of change would be much slower without Sitra.

Sitra acts as an accelerator of the public sector. Sitra's actions in the field of the effectiveness goal are powerfully linked with the operating areas of the Ministry of Social Affairs and Health and the municipalities, where those involved in the development work show examples of how participation as such strengthens and increases their own development input. The other side of this coin is that in several key areas the group of players who end up doing the development work (e.g. municipalities) are either already familiar to Sitra, or they are pioneers.

Sitra is a credible partner for development work, as it brings its own resources, its collaborative network, and reputation into play.

Even if there had been efforts to develop the same thing alone in a municipality/company/government administration, it could not have been implemented in the same way without Sitra.

Sitra has influence over political decision-making. Sitra's ability to raise issues onto the agenda of political decision-making is seen in several interviews as a central contribution. Issues that many interviewees feel Sitra considers topical can be seen soon after that by players in the field on the political agenda.

### **Ways in which Sitra is effective**

The evaluation identified four key mechanisms of creating effectiveness.

Strategic partnership and cooperation, where the aim is not necessarily to be seen as Sitra. According to stakeholders, results have been achieved in several key areas out of genuine partnership and cooperation. Another change that has been taking place over the years in this is that in its strategic work with stakeholders Sitra no longer seeks to be "seen as Sitra" or to emphasise its own status. Instead, the focus is on the actual matter that is the goal. "Positive" pressure has also been experienced as a good thing. This is especially visible in cooperation taking place with the Ministry of Social Affairs and Health.

Bringing a dispersed field of players together (colliding) and bringing small actors together has been a key contribution by Sitra in several different sectors. This works best at the very beginning of work, or in a situation in which there is a concrete agenda of working together. The only critical angle from the point of view of the stakeholders is connected with the use of time or, on a case-by-case basis, "looking down on" existing players.

Bringing thoughts from the outside in is linked as part of Sitra's activities in nearly all key

areas under examination. Stakeholders bring this up as one of the key ways of creating effectiveness, whether it be "study travel" or bringing forward and piloting a complete model. However, there is only one mechanism for this, which according to the stakeholders, works best when it is directly linked to doing that which is applicable.

Indirect advocacy, which takes place either in an event organised by the focus area, or by taking part in events organised by partners.

### **Challenges in achieving the effectiveness goal**

Sitra's key possibilities for effectiveness are arranged through speed and agility. On the other hand, the most significant shortcomings are also linked to these.

Coming up in the evaluations were concerns voiced by the stakeholders about activities after a short project period - the securing of effectiveness and finding the right people to continue the work and getting their commitment.

Sitra's independence is seen primarily as a positive factor. On the other hand, impulsiveness, experimentation, and "permission to fail" also come out as vagueness of goals and showing off.

### **Recommendations**

Examined as a whole Sitra has made successful choices and they are seen among stakeholders as topical and important. Sitra's effectiveness is greatest where it has operated in a strong strategic partnership and brought together key players connected with societal challenge around development. A key issue is strategic cooperation that is no longer necessarily even aimed at being seen as Sitra, but rather as a united partnership network. The following are recommendations of the evaluation team.

- Recommendation 1: Sitra should consider measures more directly related to the content of comprehensive well-being, experienced well-being, and psychological well-being.
- Recommendation 2: Sitra should continue good practices in strategic stakeholder cooperation while keeping the political or top leadership of organisations and the expert level that works on the matter informed of what is being developed in connection with the cooperation.
- Recommendation 3: Sitra should continue to emphasise the production of easily approachable and easily utilised reports. In concrete reports the effectiveness is greatest when it comes about when linked with an existing need for information. Those most successful in reports or studies linked with change in public debate are the processes that are built alongside them for spreading out the results (for instance series of workshops and joining forces to bring the results to the attention of the experts).

Summary of the evaluation of the goal for impact “Moving to a regenerative and collaborative economy”. The evaluation is available at: [www.sitra.fi/strategia](http://www.sitra.fi/strategia)

**4FRONT OY JA VTT OY**

EVALUATION

# Driver of change and playmaker in the economy

## **Starting point of the evaluation**

The evaluation examines the effectiveness of Sitra's activities from the point of view of the aim of "Moving to a regenerative and collaborative economy". The task of the evaluation has been to produce reliable and independent information to support Sitra's strategic management, directing and developing activities, and to produce information on ways to advance sustainable well-being. In addition, the task of the evaluation has been to promote openness, transparency, and interaction toward stakeholders in the activities of Sitra.

Evaluation questions set for the evaluation are aimed at having Sitra make successful choices, promoting systemic changes in Sitra's

effectiveness mechanisms and role, and in the effectiveness goal of broader societal development.

System-dynamic modelling and inclusive workshops have been utilised as methods in describing Sitra's systemic role. Other methods of evaluation have included semi-structured interviews for stakeholders and Sitra's representatives and document analysis.

The systemic nature of Sitra's operations has been structured by utilising the so-called multi-level model for societal change. In the model society is composed of several different kinds of systems or dimensions that interact with each other, which include things such as culture, science, politics, users and markets, technology, and companies.

## **Development of economic thinking in the 2010s**

Clear development has taken place in the content areas of the impact goal that was examined in the evaluation. Circular economy, experiments, and impact investing are examples of areas in which concrete change has taken place at different levels and dimensions of society. They are also content areas in which Finland has been presented internationally as a trailblazing country. Even though this is about development that has taken place as a result of the activities of many players, Sitra has, on the basis of the evaluation, had an important role in all of these areas of content.

It would actually appear that Sitra has succeeded in identifying content areas which have a suitable "window" for development, and in which Sitra can operate as an important driver of change. The future challenge is to make sure that development in the content area continues in the various dimensions of the system - also without an active role on Sitra's part.

## **Sitra's contribution**

On the basis of the evaluation, the greatest added value from Sitra would seem to come from working with extensive cross-sectoral and systemic problems with ambitious goals, which other players do not have realistic possibilities to focus on. The focus areas that have been launched have clearly promoted the impact that was sought in their content areas. There are good examples of this in areas such as the development of business ecosystems, impact investment, and the circular economy.

The evaluation finds that Sitra has succeeded well in its strategic choices. The goals, timing for action, and means that Sitra

selected to achieve them have been seen as relevant with respect to the desired effectiveness. Sitra is primarily seen as doing the right things in the right way and at the right time.

## **Ways in which Sitra is effective**

One special achievement of Sitra's activities is its systemic approach for solving various societal challenges. Sitra has broadly taken into account various dimensions affecting the formation of the system and has affected them through versatile mechanisms. Together the different mechanisms have promoted the emergence, acceleration, and enhancement of changes. Sitra is capable of acting systemically and quickly, reacting in ways that other actors cannot.

The following six key impact mechanisms were identified in the evaluation: a) "sense making", b) sparking debate in society, c) colliding, d) practical experiments and pilots, e) establishing new models of action and f) building a political and administrative foundation for change (i.e. affecting decision-making).

The impact that comes through the activities of Sitra are often carried out over a long period of time, are indirect by nature, and are the result of the cooperation of several actors. In this way the impacts achieved by Sitra are often difficult to authenticate. In spite of this, the impact mechanisms combined with Sitra's contribution in promoting the goals are nevertheless easy to identify. Clear examples of broad-based impact mentioned in the evaluation include the promotion of business ecosystems, launching impact investment, and promotion of the circular economy. Sitra has been an important player in all of these.

## **Recommendations and instructions for development**

Proposed recommendations for development in the evaluation include focusing especially on cross-sectoral and systemic problem-solving, openness in the preparation of selections and the inclusion of stakeholders, a stronger linkage of the goals of the visions and a stronger linkage of the focus areas, paying attention to the monitoring and establishment of models of action of the "exits", as well as Sitra's internal learning and cooperation among the focus areas.

Questions that emerged in the evaluation as targets for development linked with strategic selections included better familiarisation and linkage with other ongoing activities, as well as listening to other stakeholders as selections are made. On the basis of the evaluation the different focus areas are often left detached and their connection with goals at the strategic level are left disconnected.

Next we present the recommendations of the evaluation team connected with promoting the "Moving to a regenerative and collaborative economy" impact goal and the operative activities of Sitra's strategic management. The focus in the recommendation is on Sitra's role.

Recommendations for the promotion of the "Moving to a regenerative and collaborative economy" impact goal.

- Recommendation 1: Sitra should continue to work for economic renewal by focusing on ambitious, cross-sectoral, and systemic problems
- Recommendation 2: Sitra should diversify its mechanisms of influence in order to promote its impact goal of "Moving to a regenerative and collaborative economy"
- Recommendation 3: Sitra should pay more attention to the openness and inclusivity of the preparation of focus areas (choices).

Recommendations for Sitra's strategic management and operative activities

- Recommendation 4: Sitra should link the goals for its key areas more strongly with its "Moving to a regenerative and collaborative economy" impact goal
- Recommendation 5: Sitra should pay more attention to the monitoring and establishment of the models of action of the "exits" of the focus areas
- Recommendation 6: Sitra should further develop collaboration and internal learning in the focus areas
- Recommendation 7: Sitra should develop the monitoring of its impact by clarifying and harmonising the target hierarchy and terminology.

# Contact details

The cornerstones of building a better future include a clear vision, a solid strategy and a plan that guides everyday decisions. But above all, we all need to work together to build a better future. Let's keep in touch!

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## **FINLAND'S FUTURE FUND, 2017**

- Sitra, under the supervision of the Parliament, is working on behalf of future generations with the aim of a fair and sustainable future that will be the next era of well-being.
- Visionary, researcher, experimenter and educator. Player in future social infrastructure projects. Number one in encounters and networking.
- Fund that operates with endowment capital yield. Endowment capital yield 7.7%.
- State investments in the endowment capital have been 84.1 million euros over time, and this now has a market value of 840 million euros.
- Sitra's annual budget is 30-40 million euros.
- Sitra employs 159 people.



What will happen, if work no longer guarantees a livelihood in the future? Or when representative democracy does not provide a sufficient sense of participation? What is progress, if it can no longer be measured by economic growth alone? How do we guarantee a fair future for everyone, if the only thing we know for sure is that everything will change?

With the intensifying pace of change in the world, Finland is facing major questions and issues concerning the future. The future house invites people to think big, experiment boldly, to be trained and to develop our society. The concept of the child now been born as a client continually spurs us on to more sustainable solutions.

**THE FUTURE IS MADE TOGETHER.**

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ISSN 1797-5298