

SITRA

THE FUTURE **FUND – A YEAR** **IN REVIEW**

Annual Report and Financial Statements 2016





The Finnish Parliament during its jubilee session on 5 December 1967, approving the rules of the Finnish National Fund for Research and Development (former name of Sitra, the Finnish Innovation Fund).



**2016 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 2016 to the Finnish Parliament.

Helsinki, 15 March 2017

On behalf of Sitra's Supervisory
Board

MATTI VANHANEN
CHAIRPERSON

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SECRETARY

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

The Supervisory Board's statement

Renewal is measured in everyday life	4
--------------------------------------	---

Trends and the future

An uncertain future challenges us to find bold solutions	6
--	---

Strategy and operating model

Sitra is the future fund of the Finnish people	8
--	---

Sitra's themes

Resource-wise and carbon-neutral society	12
--	----

Capacity for renewal	16
----------------------	----

New working life and a sustainable economy	20
--	----

Sitra employees

	24
--	----

Investment activities

	26
--	----

Administration and proposal for the disposal of surplus

	30
--	----

Accomplishments in 2016

	32
--	----

Financial Statements 2016

Profit and loss account	34
-------------------------	----

Balance sheet	35
---------------	----

Accounting principles	36
-----------------------	----

Notes to financial statements (eur 1,000)	37
---	----

Signatures to board report and financial statements	47
---	----

Auditors' report	48
------------------	----

Appendices

Decades of Sitras work	49
------------------------	----

The most downloaded publications in 2016	
--	--

Contact details

	52
--	----

THE SUPERVISORY BOARD'S STATEMENT

Renewal is measured in everyday life

FINNISH SOCIETY'S capacity for renewal is in the balance. As fundamental change affects Western societies, it is time for ambitious visions and bold action. However, even major changes need to be carried out piece by piece: by experimenting, learning and correcting things. Amid these changes, it is important to remember one's strengths. In Finland, one of our strengths is fairness and taking care of the most vulnerable people. We must not lose that strength in the face of a rapidly changing situation. After all, the capacity for renewal is measured in daily life, not in strategy papers.

Sitra plays an important role as an independent fund for the future and an accelerator of change. Now we need a knowledge-based vision for Finland's future and wide co-operation and open-minded experimentation based on that vision. It is what Sitra is best at.

With Sitra's 50th anniversary approaching, it can be said that while its role as an architect of a better tomorrow persists Sitra has, over the decades, been able to renew itself as needed. Sitra has developed into a versatile societal body, a genuinely future-oriented organisation.

Today, Sitra's operation is based on a vision in which Finland will succeed as a pioneer in sustainable well-being. The aim in all its development work is a good life that people can live within the limits of the earth's carrying capacity.

In 2016, the fruits of this future-oriented work were harvested in many fields.

Sitra's long-term work to build a resource-wise and carbon-neutral society took significant steps. In September, the first national road map to a circular economy was completed in co-operation between a thousand Finnish experts. And even before that the Helsinki Metropolitan Smart & Clean Foundation had started its operations with the aim of creating an ambitious cluster of clean and intelligent solutions in Finland. Sitra's and Finland's pioneering work in the circular economy received international recognition on several occasions.

A decision was made to use the service package model developed and trialled by Sitra in the development of social welfare and healthcare services as a national screening method for monitoring social welfare and healthcare costs and operations. The service packages work in the background and enable continuous renewal

*Sitra has developed into a versatile
societal body, a genuinely
future-oriented organisation.*

like many other models developed by Sitra, from the virtual clinic to the national service channel. It is not something that makes the headlines, but it is extremely important in terms of renewal.

As the demand for service in society increases, the economy needs new operating models and new ways of thinking. The Digital Health Hub Isaacus, currently being developed, is expected to provide both growth and personal well-being. Measurable well-being is also sought through impact investment introduced to Finland by Sitra. The first projects realised using the Social Impact Bond model are already under way, and there are more to come.

Sitra’s operating activities are funded from the return on its endowment capital. At the end of 2016, the market value of Sitra’s endowment capital was EUR 807 million, and the yield from invested assets was 7.1%.

In the Supervisory Board’s opinion, Sitra’s finances are stable and its operations are under excellent management. At its meeting on 15 March 2017, 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 4,830,404.43 from the financial year 2016 to the retained surplus/deficit account.

Helsinki, 15 March 2017

Matti Vanhanen, Pentti Oinonen, Olavi Ala-Nissilä,
Kalle Jokinen, Seppo Kääriäinen, Jutta Urpilainen,
Pia Viitanen, Ville Vähämäki and Ben Zyskowitz

./ Anton Mäkelä

An uncertain future challenges us to find **bold solutions**

As the signs of global megatrends are seen in the everyday lives of Finns, it is time for ambitious visions and bold action. If we want to stay on the top in the global well-being rankings, renewal by polishing up old operating models will no longer be enough. We must have the courage to think big and act in the long term, but remain in the here and now.

GLOBALISATION, rapid technological change, climate change and concerns about the sufficiency of natural resources have for the past few decades gradually been changing people's everyday lives and are now issues threatening the foundations of societies. These trends affect all human activity, whether it be social, economic or humanitarian.

As a Nordic welfare society, Finland is in a good position to look for ambitious and long-lasting solutions to resolve the biggest challenges facing Western societies.

The changes in 2016 also showed, at the level of everyday life, how unpredictable Western democracies have become.

Business managers, political observers and ordinary people alike were caught by surprise by the referendum ending the UK's EU mem-

bership and the controversial presidential election campaign in the United States. Suddenly, there was a sense that something important had changed almost overnight. People's sense of trust suffered a setback that no one had been able to anticipate. The set-ups and operating practices that had been considered well established were turned on their heads. People talked about populism, the post-truth era, the end of the Western world and a crisis of democracy. It remains to be seen whether what we see is a strong degree of variation or a historical change that will have far-reaching consequences.

However, it is clear that uncertainty about the future will increasingly challenge us to create bold visions and seek ways to move towards our vision confidently and together.

When society's basic guarantees about work, income, security and the experience of inclusion come under threat across the Western world, we must have the courage to analyse what the 2020s might bring and prepare to be prepared.

In Sitra's vision, Finland will succeed as a pioneer of sustainable well-being. In 2017, this vision is more topical than ever. The clock is ticking and we need to be faster in finding solutions to secure the earth's ecological carrying capacity. At the same time, ambitious measures are required to deal with the questions of well-being, work, participation and fairness. Although the global operating environment is extremely uncertain, this should motivate us more on our way towards the desired goals.

We must have the courage to analyse what the the 2020s might bring and prepare to be prepared.

When we look far back in time, we can see that our success has required an ability to work together and make changes that have in the long term enhanced people's experience of a fair and good society in Finland. In 2017, the centenary of Finland's independence and Sitra's 50th anniversary offer an especially important opportunity for making even more ambitious investments in Finland's future success.

How do we guarantee a fair future for everyone, if the only thing we know for sure is that everything will change?

1. **WORK AND INCOME.** The development of digitisation will revolutionise whole industries and occupations. What will make up our incomes in the future?

2. **DEMOCRACY AND PARTICIPATION.** Are we experiencing a crisis of democracy or a golden age of renewal? How can people have a say in decision-making in the future? What will participation be like tomorrow?

3. **GROWTH AND PROGRESS.** The world is changing. Where will tomorrow's growth come from and what will progress consist of?

Read more: nextera.global



Sitra is the future fund of the **Finnish people**

SITRA WAS A PRESENT given to the independent Finland on its 50th anniversary in 1967 by the Finnish Parliament. At the time, the societal situation was not easy, either, not to mention the economic situation. Sitra was given the mission to improve Finland's competitiveness and the well-being of the Finnish people. The goal remains the same, but over the years Sitra has always adapted its work as needed. In 2017, Sitra is the future fund of the Finnish people, a workshop for ideas and action, and a place that combines insight based on knowledge and practice.

*By sustainable well-being,
we mean a good life within
the limits of the earth's
carrying capacity.*

Behind Sitra's future-oriented work, there is a strong vision of Finland as a successful pioneer of sustainable well-being. By sustainable well-being, we mean a good life within the limits of the earth's carrying capacity. In this thinking, the economy is seen as a communal mechanism that reforms society and decisions are typically transgenerational and made for the long term.

So, by sustainable well-being, we mean pursuing a good life within the limits of the earth's carrying capacity – here, today and in the future.

Where are you heading, Finland?

Sitra would not be a future fund without strong foresight work. Sitra's megatrends are a keenly awaited review of the future developments that will modify the world and also have a huge impact on Finland.

In 2016, the Megatrends list served not only as a discussion opener for a debate on the future, but also as a tool for the future-oriented work of different organisations.

What do we Finns want from our lives? What is important to us all? What kinds of values should be the foundation for planning our shared future? How do we work together for a common goal in an era in which the role of a national culture is no longer so central?

To mark the centenary of Finland's independence, Sitra joined forces with another Finnish Think Tank, Demos Helsinki, in a large visionary project. We are travelling across the country, and partly even across the world, talking to people and building a common way of thinking so that by the end of 2017 we could

achieve a shared vision for the future direction of Finland.

We are looking for the Next Era of the Finnish welfare society. What should we think about the change taking place in the world today? What are the ingredients of sustainable well-being that is based on the Nordic values and emphasises wide participation, a high level of trust and fairness?

In addition to the work on the megatrends and the vision, topics such as education as a builder of a society based on sustainable well-being and the role of ecosystems in industrial policy were discussed in Sitra's foresight work in 2016. Sitra's foresight specialists partici-

pated in the basic income trial led by Kela by providing the research group with a future-oriented point of view.

A strategy means making choices

When the task is big and the vision ambitious, choices are important.

Even an ambitious vision is just a dream, unless action follows on from it. In its own work, Sitra has transformed the challenges posed by megatrends and the direction provided by its vision into three strategic themes. These three themes are the choices that we have made,



SITRA'S FINLAND 100
ANNIVERSARY PROJECTS
#together

8 public debates in different
localities **#Erätauko**

231 teams suggested a solution
#Ratkaisu100

260,000 – the target set
for the number of visitors to the
Finland in the year 2067 exhibi-
tion **#7sisarusta**

1,200 participants to the
international WCEF conference
#WCEF2017

having considered our own resources and the best contribution we can make to promote sustainable well-being in Finland.

The Capacity for renewal theme strengthens Finnish society's capacity and will to renew itself as a prerequisite for well-being and as a national competitive advantage. *Resource-wise and carbon-neutral society* focuses on combining well-being, the economy and natural resources in a sustainable manner by building preconditions for pioneering resource-wise and carbon-neutral operations. And *New working life and sustainable economy* in turn promotes the efforts to find new solutions in the field of work and the economy, experimentation with those solutions and their practical introduction.

The best results are achieved together

To make the vision more than just a dream or strategies more than just talk, a comprehensive selection of measures is needed in future-oriented work. Sitra is a think-and-do-tank, and its special strength is in combining knowledge and actions. Taking on a new challenge or seizing an opportunity requires specific tools: sometimes foresight, reports, work on scenarios or a shared strategy process is needed. At other times, experimentation, training or long-term co-creation is necessary. Fund investments are also a tool for implementing a strategy aimed at sustainable well-being.

However, having the right people available and working in a good atmosphere of trust is even more important than the tools.

Over the decades, Sitra has acquired a natural role as an organisation that creates networks between different players and brings them together: the best results are generally

achieved when people who look at things from slightly different angles team up. That is why Sitra has grown into an independent leader of facilitation and group processes.

Sitra's expertise in facilitation has, since the summer of 2016, been visible in the reform of central government transfers to culture led by the Ministry of Education and Culture, for example. With this project, new approaches are created that can be used in future participatory legislative processes.

The leadership courses on sustainable economic policy gather together some 60 decision-makers and change makers from different fields every year. The courses have been highly praised and help the participants to gain a wide, long-term understanding of the economy while taking into consideration ecological and social points of view. In 2016, Sitra arranged two courses, and another two are planned for 2017.

The year 2017 is an important anniversary for Finland, but it is also a milestone in Sitra's operations.

With the Ratkaisuu 100 Challenge Prize, Sitra is looking for a solution to one of Finland's biggest challenges while also developing the challenge prize as a tool for innovation. Ratkaisuu 100 is different from many other challenge prizes in that Sitra has invested in selecting the contest's challenge by engaging a large range of Finns, and it will support the teams developing a solution by making available to them its diverse expertise. The winning team or teams will be selected in November 2017 and will receive one million euros to implement their solution. The aim is to develop a solution that helps to better identify and maximise expertise and skills in our global environment.

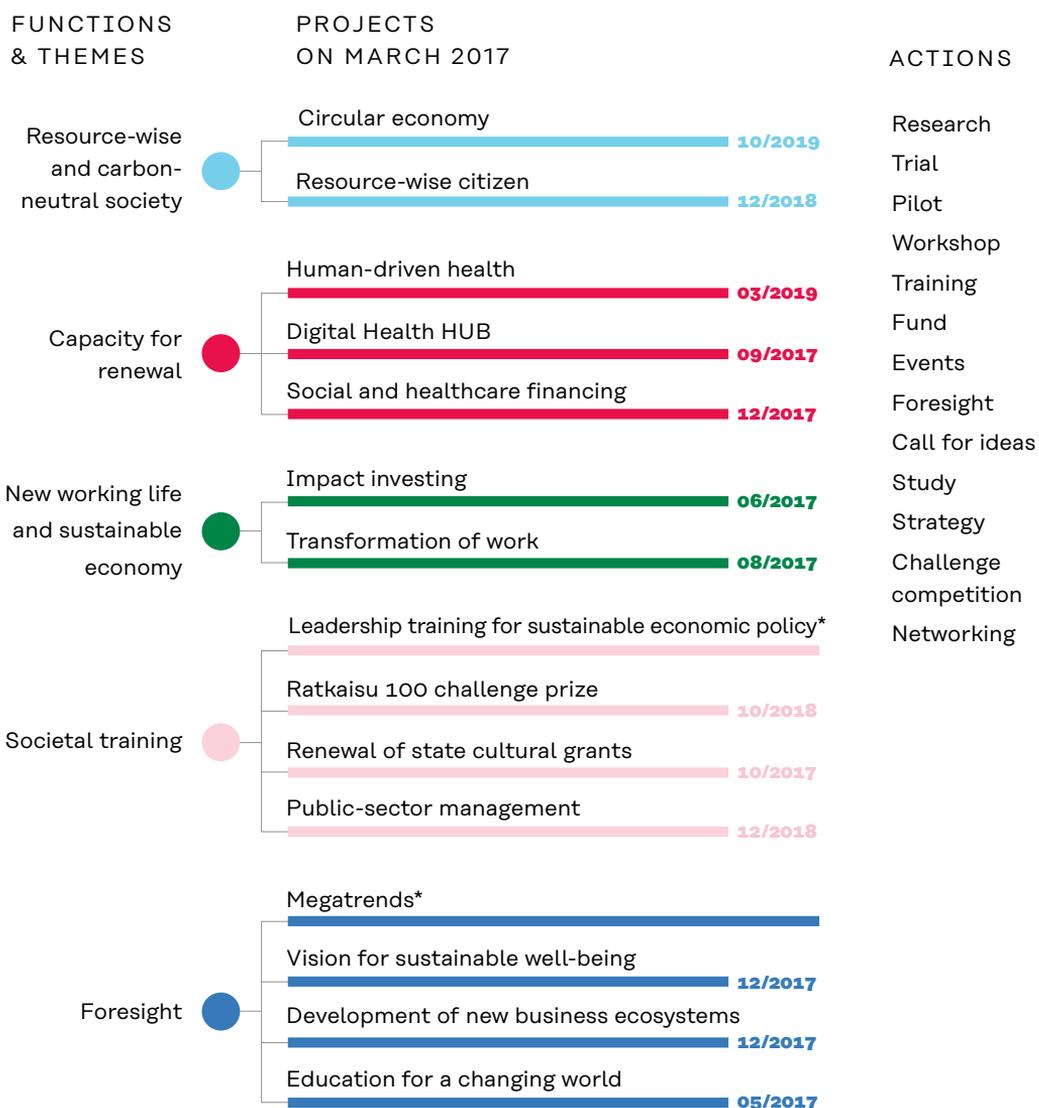
Because the future is made together.

VISION

Finland will succeed as a pioneer in sustainable well-being

MISSION

Building a successful Finland for tomorrow's world



* Continuous activities

THEME

Resource-wise and carbon-neutral society

We live well beyond our resources every day. Our waste of natural resources and climate change threaten our existence and are therefore our biggest global problems. If we cannot reverse this development very soon, all other future-oriented plans will make little difference.



IN 2016

1

national roadmap to a circular economy, the first of its kind in the world

1,000

Finnish experts engaged in work on the road map for the circular economy

The circular economy marks a big change for society, businesses and our ways of thinking.

WE ARE FACING the biggest challenge of our time now: how can we find operating models in which economic growth and an increase in well-being are no longer based on the overconsumption of natural resources?

Finland has the opportunity to create sustainable well-being and success based on the wise use of both non-renewable and renewable natural resources over the next 5 to 10 years. To turn this challenge into an opportunity, we now need both big decisions and a long list of smaller steps to push things forward.

Finland gets the world's first national road map to a circular economy

One of the fastest growing areas of business has been generated by the mitigation of climate change and wiser use of resources. According to a report commissioned by Sitra in 2014, the circular economy is an opportunity for Finland that could generate up to three billion euros of added value.

The circular economy is an economic model which does not focus on producing more and more goods, but in which consumption is based on the use of services – sharing, renting and recycling – instead of owning. Materials are not

destroyed at the end of their useful life or discarded in landfills, but are used to make new products again and again.

The circular economy marks a big change for society, businesses and our ways of thinking and it is often driven and enabled by digitisation. The circular economy is an excellent example of development that takes places when several megatrends collide: the overuse of natural resources and climate change create a threat, and digitisation, new business models and sustainable decisions made by consumers provide tools for repelling it.

Sitra introduced the circular economy to a wide variety of discussions in 2015 and has promoted it in many ways through its activities. A logical step in this long-term development work was the world's first national road map to a circular economy, published in September 2016. What makes this road map genuinely national is its content and the process of compiling it: more than 1,000 experts and influencers in Finland participated in creating it.

The road map comes with step marks that will help to achieve the target – making Finland a global model country of the circular economy by 2025. The goals emphasise central government's role in facilitating a progressive domestic

market and a growth platform that is favourable for companies, but also a strong company, export and technology orientation combined with the search for comprehensive solutions and co-operation covering the entire value chain.

The goal of the road map is ambitious, but not impossible to achieve. To be able to fully take advantage of the circular economy in terms of global business, it is important to act fast. This is why Sitra has decided to invest an extra five million euros in the implementation of the road map in 2017. This investment is intended to act as a catalyst for attracting five times that amount in public and private funding to further promote the projects.

Action, action and more action

Companies have a central role to play in the realisation of the circular economy and in achieving the climate targets. Their innovations, products and solutions will promote sustainable practices, improve competitiveness, create new business and enable a controlled transition towards a carbon-neutral society.

Sitra's intensive co-operation with pioneering companies initially led to the creation of the Climate Leadership Council in 2014 and developing practical tools, "building blocks", intended to help any company build a low-carbon road map of its own in 2016.

However, Finnish companies building intelligent solutions have in the past lacked established and successful reference points in the domestic market. Therefore in 2014, Sitra set out to devise a very ambitious plan to build a Finnish reference area for circular economy solutions and smart and clean solutions that would meet international requirements.

In June 2016, with the plan complete and an extensive co-operation network created, the Helsinki Metropolitan Smart & Clean Foundation was established.

The aim of the foundation is to make the Helsinki metropolitan area the world's best testing area for smart and clean solutions with 20 to 30 new projects. New technologies and services will be developed across the cities in the area. The best solutions will create successful business in Finland and they will be exported to international markets. The foundation provides funds, help and support for the generation of business and opens doors to global markets.

The Smart & Clean Foundation is exactly what we need now: not just words, but action for building a better tomorrow. In addition to Sitra, the partners in the new foundation are the cities of Helsinki, Espoo, Kauniainen, Vantaa and Lahti, companies like Fortum, Helen, KONE, Neste, Siemens, and the Finnish state and universities, the Finnish state and the Helsinki-Uusimaa Regional Council.

Change is made every day

Sitra has worked intensively with the theme of ecological sustainability for more than 10 years, first in the Environment and Energy programmes and then in the focus areas of the Resource wisdom and carbon-neutrality theme. In the past few years, Sitra has focused on regional resource wisdom, industrial symbioses and carbon-neutral industry.

Some 68 per cent of all greenhouse gas emissions in Finland are created by our everyday lives: living, travelling, eating and consuming. That is why Sitra will next be directing its future-oriented work towards making everyday choices easier.

Some **68%** of all greenhouse gas emissions in Finland are created by our everyday lives

Consumer habits must be changed at the global level, but Finland can be a pioneer by creating new solutions. Sustainable everyday life should never be difficult; it should be inspired by the goal of living a good life.

Over the next two years, Sitra will promote the transition towards a circular economy and more sustainable life in three ways: by helping companies to develop competitive products and services; by encouraging central government and local authorities to create interesting operating environments; and by inspiring everyone in Finland to make sustainable choices in their everyday lives.

100-year-old Finland in the circular economy spotlight

Sitra's and Finland's active work to build a resource-wise and carbon-neutral society has not gone unnoticed abroad. We assumed a high profile in the discussions at the Paris climate conference in 2015, and attracted even greater recognition in Marrakech in 2016 when our report on existing Nordic solutions to climate change mitigation deservedly captivated the world's attention.

The World Economic Forum chose Sitra as a finalist in the category of investors in the World Circular Awards competition and highlighted Sitra's position as a global pioneer in the promotion of co-operation between the private

and public sectors. This prestigious acknowledgement, together with the road map to a circular economy, has increased Sitra's and Finland's attractiveness as a partner of the world's leading organisations in the search for solutions that will take us towards a carbon-neutral circular economy.

To mark Finland's celebration of 100 years of independence, Sitra is bringing the best circular economy solutions in the world to Helsinki. The aim of the World Circular Economy Forum (WCEF) in June 2017, organised with wide international co-operation, is to bring together the world's decision-makers and leading experts to promote the circular economy as part of the implementation of the UN's Sustainable Development Goals. WCEF 2017 supports Finland in its development into a model country for the circular economy.

FOCUS AREAS UNDER THE THEME IN 2016

- **A circular economy** promotes 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 consumer behaviour by exploring, conducting experimentations and inspiring people. **09/2016–12/2018**
- **Carbon-neutral industry** accelerated the transition in industry towards carbon neutrality by providing information, developing tools and establishing organisations such as the Helsinki Metropolitan Smart & Clean Foundation. **01/2014–12/2016**

THEME

Capacity for renewal

Finland's history is a story of settlers. The great sagas in our cultural heritage, from Jukola to Pentinkulma, are accounts of tough and hard-working heroes who toiled in the stony bogs to build a solid foundation for their lives. Indeed, Finland became a stable society based on trust.

But then the world changed. Change and uncertainty became the new norm and rigidity was no longer an advantage, but a barrier to development. Now the settler spirit is needed again: we need to make Finnish society more capable of change.



IN 2016

51

local authorities completed their social and healthcare service package pilots

5

regions were involved in developing the model for freedom of choice trials in social welfare and healthcare

Renewal is measured in how rapidly and skilfully decisions are made a part of everyday life.

CAPACITY FOR RENEWAL, agility and an ability to turn sudden situations into opportunities. These three qualities characterise a successful and prosperous nation in a world that is changing at an increasing pace.

However, the basic premises and large structures of society cannot be changed fast, and it certainly does not happen automatically. Capacity for renewal is therefore one of the three important themes in Sitra's future-oriented work.

Capacity for renewal is a permanent quality of a successful society and not an individual, fixed-term project. We Finns are excellent planners and designers of strategies and projects, but renewal is measured in how rapidly and skilfully decisions are made a part of everyday life. Many sorely needed structural reforms have already been planned and some have also been tested, and it is now time to implement them. This is the moment when the capacity for renewal of Finnish society will be measured.

Sitra's role as a fund for the future is not to implement reforms, but rather to build the preconditions for reforms, motivate the change and create co-operation networks. The common factor in all our activities is a perspective on the future, through which we reflect the needs for development. When the changes are first made,

Sitra often has a critical role, but when things progress and become mainstream, it is time for Sitra to step aside. A good example is the Digital Health Hub Isaacus, which is currently in an intensive development stage. Sitra is the initiator of this giant project and the driving force behind the extensive co-operation. It has invested millions in the project and is now its hands-on leader. In a year or two, when the project has been completed, the time will come for Sitra to move on to something else and leave the other, permanent operators to benefit from the results.

Isaacus leads the way in well-being data

Finland is now frenetically looking for new sources of growth, and Isaacus – the Digital Health Hub is one such source.

The project has been named after the father of Finland's archiving system, Isaacus Rothovius, the bishop of Turku, who created the church registers in Finland in the 17th century. This Isaacus will not create another archive, but instead will combine Finland's extensive and scattered registers so that they are available in one place and are securely accessible to researchers, healthcare bodies, companies and individuals.

A huge amount of information about us Finns has been collected over the decades. Results from blood tests, vaccinations, prescriptions, decisions on child benefits, tax information, periods of unemployment and biological specimens. The mass of archives and registers also contain global data, such as sample-based statistics from general population surveys and socio-demographic data on the population. In addition, this is an age when people increasingly monitor their well-being themselves by collecting data via online apps on things such as the distances run and daily exercise logs.

As technology develops, it is possible to utilise data to benefit individuals, society and business – as long as the quality of the material is good, they can be combined and made securely available. Permission from individuals is always required to use the data. The Finnish registers are a potential gold mine of data: being able to combine this data will lay the foundation for innovation and growth. Finland has the opportunity to become a pioneer in the use of well-being data. Navigating this gold mine is a difficult and major task, but an ideal project for Sitra's expertise.

Sitra's work on the Digital Health Hub began in autumn 2015 and the project comprises three major strands: building the service concept for the operator, creating the ICT solutions and establishing the legislative basis for granting access to the information.

Although legislative changes and a thoroughly weighed concept are required in a huge data operation and complicated ICT project like the Digital Health Hub, the most critical precondition is allowing open and seamless co-operation between the authorities.

The National Institute for Health and Welfare (THL), Statistics Finland, the National Archives

of Finland, hospital districts and the Ministry of Social Affairs and Health are among the organisations building Isaacus with Sitra. The settler spirit in the societal changes of the 2010s requires new kinds of co-operation, inter-sectoral collaboration, the dismantling of silos and a lot of hard work to achieve the shared vision. Once the channels of co-operation have been opened, it will be easier for the others to follow.

Capacity for renewal will be measured in social welfare and healthcare

The social welfare and healthcare reform currently under way is one of the biggest and most important reform that has ever been undertaken in Finland. Its planning has taken years, and the implementation now seems more likely to happen than ever before. Sitra has made considerable investments in the development of social welfare and healthcare; after all, universal social welfare and healthcare services are among the most important factors for promoting well-being and sustainable development in Finland.

Sitra has been working on the possibility of basing the decisions about tomorrow's social welfare and healthcare provision on real-time information and agile experimentation.

The projects have developed business intelligence in social welfare and healthcare services in co-operation with local authorities and hospital districts, built an entity of digital self-care services in Hämeenlinna that is now expanding into a national operating model, created a genome strategy in co-operation with the Ministry of Social Affairs and Health, and explored the need for future social welfare and healthcare services from the point of view of

digitisation, the development of logistics and demographic changes.

In 2015, Sitra looked at how the information scattered across regional social welfare and healthcare services could be combined so that services and their costs could be compared. Combining data this way into a comparable form would make it possible to manage and develop social welfare and healthcare and predict costs by client group. The solution developed for this purpose was social welfare and healthcare service packages.

From the end of 2015 until spring 2016, the model was tested in a total of 51 local authorities across Finland, and in summer 2016 the Ministry of Social Affairs and Health said it would start to use the service packages developed by Sitra as a national screening system in social welfare and healthcare services to monitor costs and activities, starting in 2019. The service packages are not directly visible in everyday life in Finland, but they enable just the kind of long-term renewal that is required in a rapidly changing environment.

Difficult freedom of choice to be trialled

The increasing freedom of choice in social welfare and healthcare services is something that will affect everyone in Finland from 2019. From Sitra's point of view, freedom of choice in itself is not an objective, but one possible way to develop and reform the service system.

Before introducing freedom of choice nationally, a model for Finnish society needs to be developed and the functioning of the system needs to be tested, ensuring that customer experience and effectiveness of care are at the centre of the services. Importantly, it should also ensure

that also the most vulnerable people in Finland will receive the services they need. Sitra has participated in the development of a trial model to be tested under the leadership of the Ministry of Social Affairs and Health during 2017.

Eyes on the reform of the whole public administration

How then should public administration function to be able to meet the challenges of the constantly changing and evolving environment? How will democracy and participation work in a digitising society, and how will a more strategic and more agile administration be built? What kind of leadership will be needed in the future?

In 2017, Sitra will focus intensively on the reform of the entire public administration, by preparing a public-sector management training scheme and a report on the needs for change and the options for an operating model.

FOCUS AREAS UNDER THE THEME IN 2016

- **Social and healthcare financing** supports the social welfare and healthcare reform by providing insight into future issues and developing reporting in social welfare and healthcare services. **01/2014–12/2017**
- **The Digital Health HUB** prepares a one-stop-shop operator that provides well-being data from different information sources and registers. **10/2015–09/2017**
- **Human-driven health** strengthens a customer-oriented operating culture in health and well-being services. **06/2016–03/2019**

THEME

New working life and a sustainable economy

The transformation of working life is having a profound effect on Finnish society and the financial basis of public services. The effects of digitisation, robotisation and globalisation are already visible in the job markets and workplaces, and will be to an even greater extent in the future. These phenomena are transforming industries, companies and job descriptions.



IN 2016

60

workplaces began to turn ideas into action to develop the best tools for renewal

2

Social Impact Bond (SIB) projects for investing in well-being at work and employment

Our aim is to create a working life in which as many people as possible will find their place.

THE WIND OF CHANGE is blowing in the world of work. While there is little doubt that fundamental changes are afoot, how groundbreaking is the transformation that is now happening? No one yet knows what the extent of this transformation will be and how fast it will take place. If the kind of work that currently provides an average pay is largely going to disappear, how many people in future will be earning their living doing paid work? If people do not work, how will they make their living? Will most work disappear altogether, or just change, and will there be new tasks that replace the old ones? What kinds of skills will be in demand in the working life of the future? Is the transformation of working life really a revolution on a scale similar to industrialisation, which will entirely change the basic premises and structures of society, or is it just normal development in a different guise?

At Sitra, we examine these questions and the chains of effects they cause as comprehensively and fairly as possible. We produce information, experiment and bring people together to develop things.

Our aim is to create a working life in which as many people as possible will find their place and in which new technology is used for the

benefit of everyone. In addition to developing paid work, we also promote the systematic building of well-being. Impact investment, introduced to Finland by Sitra, provides a practical tool for doing this.

Building the future of working life

In 2015, when Sitra started its first working-life projects, it could not rely on vast experience as a developer of working life. The situation was very different from Sitra's two other themes: electronic health projects, started in 2000, and continuous work in the field of ecological sustainability, which began a few years later. Establishing a new working life and a sustainable economy are, however, crucial prerequisites for Finnish society, whether we address them from the point of view of an individual or the whole of society.

As a forward-thinking organisation, Sitra's initial natural role was to motivate and influence others. Its work in this new field began by making reports and carrying out experiments. In 2016, Sitra investigated working-life attitudes, working-hour issues and the nature of work in the information society, and assessed the problems that exist in matching labour supply and demand.

Trials and other co-operation projects were used to test a company-based employment model, to improve the working-life skills of university students and to build networks for enabling experienced experts from different fields to act as partners of small and medium-sized enterprises. Matching work with the workforce and making expertise visible emerged as central questions. A wide range of international points of view on the mechanisms changing work were also compiled and published in the book *Perspectives of new work – exploring emerging conceptualizations*.

The year 2016 showed that there are a lot of developers and a sense of change in the field of working life, but that trust and new kinds of co-operation are required. First of all, we need a common view on the nature of the changes and a shared view on the future. An independent future-oriented organisation like Sitra is therefore in demand in this field, too.

Change is already happening in the workplace

Although the role of the central government and labour market organisations as enablers and developers of future work is vital, workplaces have not been idly waiting for reforms; change is already under way in many areas. In this change, the role of every employee is important – both as a developer of the workplace and as a promoter of one's own expertise and career development.

Only six per cent of those who responded to an extensive working-life survey published by Sitra in spring 2016 had found their current job through public employment services. Some 23 per cent had secured a post by applying for an

open job on their own initiative, while the remaining 71 per cent found employment via other means in the open market. New career paths generally branch out naturally from old ones, and employment services do not need to be involved as an intermediary. What is needed is the workplace's ability to recognise competence and the employee's ability to show and acquire different types of skills required in a job.

The joint Workplace of the Future project of Sitra, the Mutual Pension Insurance Company Ilmarinen and the Finnish Association for Human Resources Management, HENRY, launched at the end of 2016, brings together 60 different workplaces to develop tools for renewing and lengthening work careers. The aim is to help workplaces develop into attractive learning environments and encourage an increasing number of people in Finland to actively keep their expertise up to date.

We have already seen some encouraging examples. The Finnish Working Life Prize organised jointly by Sitra and the Ministry of Social Affairs and Health has given out awards to exemplary workplaces and developers of work since 2008. In spring 2017, the last prize will be awarded to workplaces whose operating practices have promoted lifelong learning, the development of expertise and longer careers.

Impact investing combines the common good and economic return

The service needs of an ageing society are increasing while available resources are becoming scarcer. As the economic situation gets tighter, new alternatives are sorely needed for arranging and funding public well-being

Impact investing is a tool for buying well-being instead of work performances.

services. We should delve deeper into this matter: does society aim to create well-being or just to provide work performances to meet the particular need?

Impact investing is a tool for buying well-being instead of work performances. But it is just one tool. When we examine this way of thinking in more depth, we find the capability to buy, the capability to sell the results of well-being and, above all, the capability to set measurable objectives.

Sitra has been working on ways to achieve a sustainable economy since 2014. The impact investing tool has already been used abroad, but its introduction to Finland had to start from scratch, translating the terms and concepts, creating an ecosystem and adapting the whole model to Finnish society.

In doing this, Sitra has employed its whole range of expertise in future-oriented work, from reports to training courses. In 2016, Sitra pub-

lished guidelines for investors and local authorities, and trained companies and associations to calculate the services they provide.

The Social Impact Bond (SIB) model was used in building the first impact investing projects. The SIB for well-being at work was launched in November 2015 and the SIB related to the employment of immigrants in October 2016. Several new projects are under preparation. The idea for all of them is to invest in the results, not in the number of hours worked.

FOCUS AREAS UNDER THE THEME IN 2016

- **Impact investing** brings a new operating model to Finland, builds its ecosystem and increases the genuine dialogue and goal-oriented partnerships forming between the private, public and third sectors. **05/2014 -06/2017**
- **Transformations of work** looks for new operating practices to enhance the functionality of the market for work and solutions for improving capabilities, incentives and the matching of work with employees in working life. **03/2015-08/2017**

Sitra employees

Sitra is an expert organisation and the impact and the results of its work depend on people. The driving force in future-oriented work is good co-operation powered by expertise and an enthusiastic commitment to achieving societal change.

SITRA EMPLOYEES ARE Utopians at heart, experts with special skills who have a doer's attitude.

The fund's future-oriented work is based on co-operation and a combination of knowledge and doing. This means that the requirements set for its personnel are high: the work is demanding and requires expertise. In addition to solid theoretical knowledge, employees also need to have practical experience of working on projects and maintain extensive networks. Employees at Sitra are highly educated: about 90% of them have a higher education degree, and 20 people also have a licentiate or a doctoral degree.

The fund's future-oriented work is based on co-operation and a combination of knowledge and doing.

The personnel structure at Sitra provides support for many kinds of activities and for a smooth transfer from one theme to another. Our community includes top experts and social influencers with long careers in their fields, but also experts whose careers are just beginning.

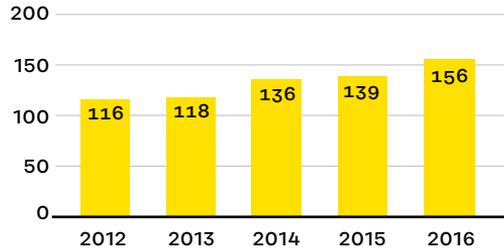
The different employment relationships support diversity: part-time employees may be people who have already retired from their daily jobs, students just completing their degrees or parents on family leave.

At the end of 2016, Sitra had 156 employees (2015: 139; 2014: 136), three of whom were on family or some other form of leave. Because of the project-based nature of Sitra's operations, 44 new employment contracts began and 22 ended during the year 2016. Some 51% of Sitra's personnel were on permanent contracts and 49% on fixed-term employment contracts, and the share of part-time employees in the total number of personnel was 16%. In 2016, 62% of Sitra's employees were women and 38% were men, whereas in the management group the respective shares were 44% women and 56% men.

The cobbler's children's shoes

Sitra's operation has been organised into themes and activities, all of which have an important role in realising its vision. This vision is important for Sitra because it has been the basis for the measurable impact objectives for all activities at Sitra.

156 EMPLOYEES
IN 2016



EMPLOYMENT CONTRACTS **51%** permanent **49%** fixed-term

GENDER DISTRIBUTION **62%** women **38%** men
44% women in management team **56%** men in management team

EDUCATION **90%** higher education **10%** other education

The shared culture of the future-oriented organisation creates the foundation for Sitra’s operation, which is based on projects. Discussions around this culture were held on several occasions during 2016, the result of which was a commitment to a mindset suited to developing our activities and co-operation.

Realising projects quickly emphasises the importance of sharing common forums and best practices. The core of building and sharing competence at Sitra are what are known as expertise networks: self-directing groups whose operating ideas are based on

the inspiring culture of doing things together and sharing.

In 2016, Sitra’s internal development was characterised by many IT projects, from project management to the meeting portal and the construction of the new website. Work to make Sitra’s own activities more ecological also continued. Sitra participates in WWF’s Green Office environmental management system, which is continually being developed. For example, solar panels were installed on the roof of Sitra’s office premises in summer 2016 to provide some of the future energy for its facilities.

Investment activities

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

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

Changes in the economic operating environment also affect the planning of Sitra's future-oriented work. In 2016, the growth rate of the world economy increased to more than 3%, which is, however, still less than the long-term average. The economic growth in the United States perked up after a weak start to the year and was about 2%. The outlook for the Eurozone also improved during the year. Similarly, there were positive signs in the Finnish economy. Domestic demand was the driving force of economic activity and there was a lot of activity especially in the construction sector.

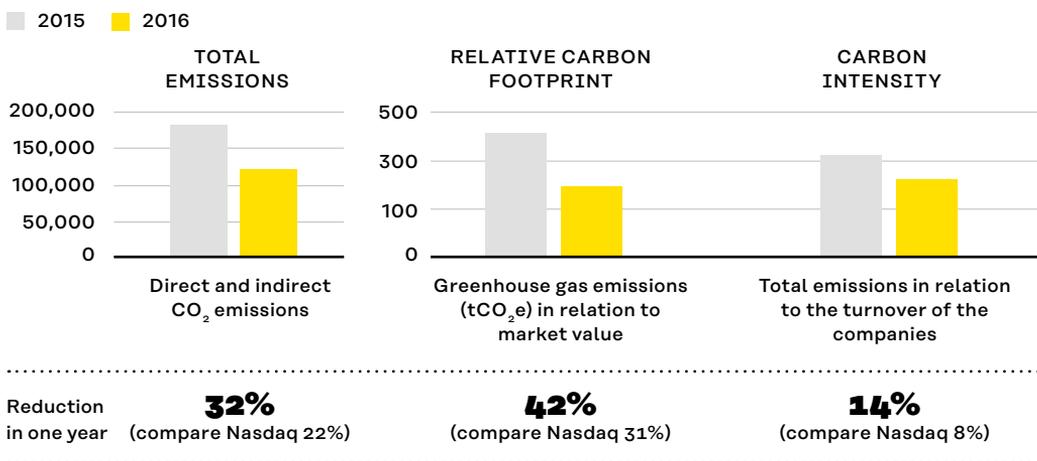
The beginning of the year was challenging in the capital market, but the situation took a positive turn in the late spring. The development of the stock markets has in the past few

years followed the extensive purchase programmes of promissory notes and securities of the main central banks in the world: the Fed in the United States, the European Central Bank and the Bank of Japan. This development continued especially in Europe and Japan during the operating year.

The significant political events during the year, including the election of Donald Trump as the president of the United States, the result of the Brexit referendum in Britain and the result of the referendum in Italy, did not affect the market movements, and the stock markets continued their strong upward trend towards the end of the year. The trend for increasingly low interest rates that has prevailed for several years was bucked when the United States Central Bank decided to raise the key interest rate for the first time in nine years in 2015. The second increase took place in December 2016. The slowly accelerating increase of interest rates is expected to continue during 2017.

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.



The price of oil, which plummeted in the raw material markets at the beginning of 2016, almost doubled by the end of the year. This had a very positive effect on the stock markets of the developing markets, which saw a rise of almost 20% during the year.

At the end of 2016, the market value of Sitra's endowment capital was EUR 807 million (EUR 771 million in 2015). During the year under review, the endowment capital yielded a good return of 7.1% (5.7%). The total allocation of Sitra's endowment capital at the turn of the year was as follows: shares 53% (50%), interest-rate instruments 36% (41%) and others 11% (9%). 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, according to the fund's rules.

During the year, Sitra lowered the proportion of government loans and increased the number of alternative investments. The increase

in the weight of equity was mainly a result of an increase in the exchange rate. Sitra made new investments in funds that invest in forest properties and in venture capital funds that invest in growth enterprises in Europe.

Responsibility in investing

Sitra is a member of FINSIF – Finland's Sustainable Investment Forum – which seeks to promote responsible investment in Finland. Sitra has also signed the Principles for Responsible Investment (PRI) supported by the UN. 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.

When new investments are selected, the asset manager's commitment to responsible investment is one of the criteria evaluated. Nearly all Sitra's asset managers have signed the

UN-supported Principles for Responsible Investment and address sustainability issues in their activities. Sitra constantly strives to improve its operating practices. The carbon footprint of domestic equity investments was calculated again in autumn 2016. Total emissions (Scope 1, 2 and 3) had declined from 178,000 tonnes of carbon dioxide emissions (CO₂e) to 121,000 tonnes.

Venture capital funds as tools for future-oriented work

As in previous years, in 2016 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 2016, Sitra invested a total of EUR 10 million in three venture capital funds that invest in growth-oriented small and medium-sized enterprises. Bocap's PK Arvonkasvatajat II fund and Korona Invest's Korona Fund III invest in entrepreneur-led small and medium-sized enterprises that strive for strong growth. As well as providing capital, the funds also provide the enterprises with management expertise enabling them to exploit their growth opportunities. The new Swedish Standout Capital I fund invests in Nordic small and medium-sized enterprises and Finland is one of the main investment areas of the fund. It has been estimated that, in the next five years, these funds will bring a total capital of EUR 100-130 million for the development of growth-hungry Finnish companies.

Sitra's long-term work with cleantech investments is gradually beginning to bear fruit. The first international venture capital fund investment focusing on clean technology was made in 2008 when Sitra invested in the Capricorn Cleantech Fund that invests in European cleantech enterprises in their early and growth stages. During 2016, the fund realised its first significant exit when Belgian Punch Powertrain, one of the portfolio companies and a manufacturer of CVT transmissions for cars and powertrains for hybrid and electric cars, was sold to a Chinese investor at a value of about EUR 1 billion and the fund received a 17-fold return on its investment.

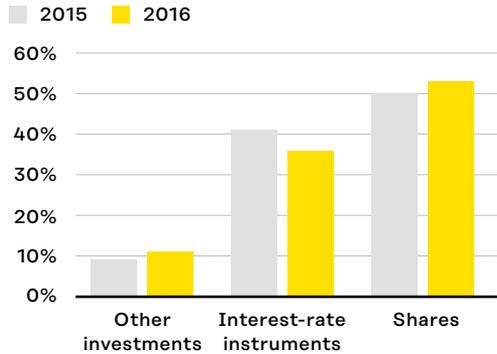
Another example of a cleantech investment that has seen positive development is the Finnish Cleantech Invest Oyj, in whose initial public offering Sitra participated in 2014. During 2016, companies in the Cleantech Invest portfolio have increasingly moved to a commercial phase and increased their turnover. The share price of Cleantech Invest has also developed positively during the year.

At the end of 2016, Sitra's company portfolio included 24 companies. During the year, Sitra made further investments in seven companies in the portfolio. Sitra participated in significant financing arrangements of its portfolio companies Nextim Oyj, FIT, Biotech Oy and Savo-Solar Oyj, which are listed on First North. Other targets for further investment were Naturvention Oy, a provider of cleaner indoor air, Sustainable Energy Asset Management Oy, a supplier of technological solutions for intelligent electricity networks, Omegawave Oy, a manufacturer of sports technology and AW-Energy Oy, which commercialises technology for wave energy.

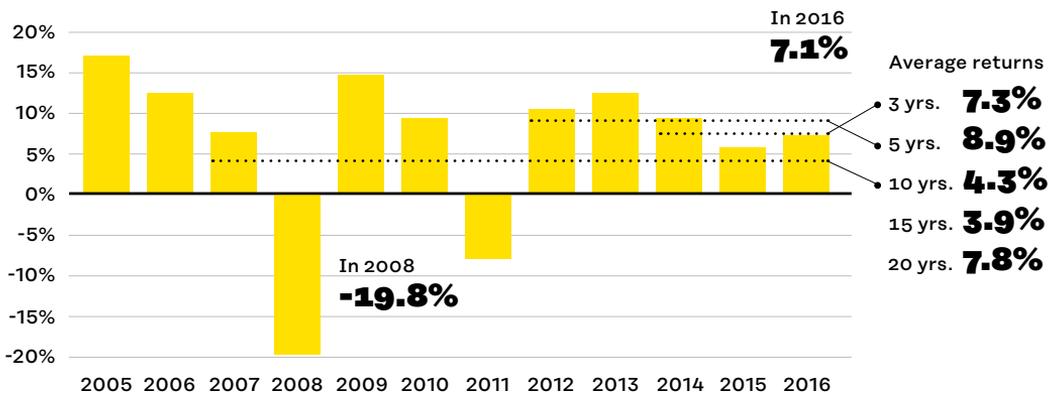
INVESTMENTS BY THE FINNISH STATE IN SITRA'S ENDOWMENT CAPITAL

1967	16.8 M€	In addition, the endowment capital has been increased by 151.4 million euros through transfers at the level of accounting.
1972	16.8 M€	
1977	16.8 M€	
1981	16.8 M€	
1992	16.8 M€ (Nokia)	
Total 84.1 M€		

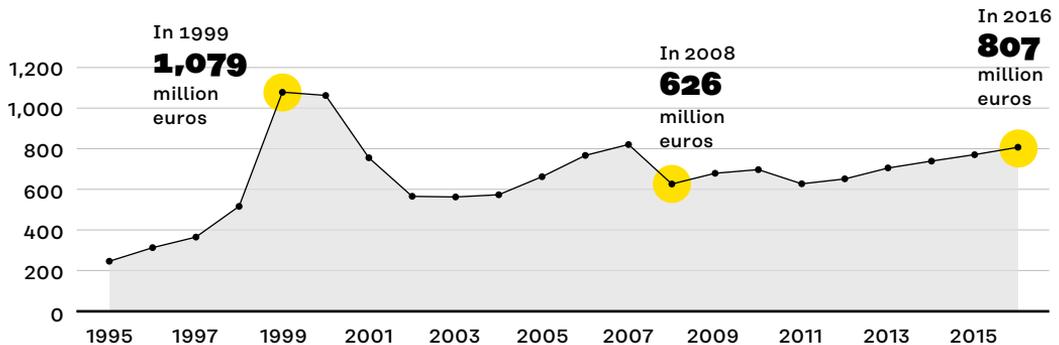
ALLOCATION OF THE ENDOWMENT CAPITAL



RETURNS FROM SITRA'S ENDOWMENT CAPITAL 2005–2016



MARKET VALUE OF ENDOWMENT CAPITAL, MILLION EUROS 1995–2016



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 were Permanent Secretary Martti Hetemäki (chairperson), Under-Secretary of State Petri Peltonen

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



Sitra is an independent fund that operates under the supervision of the Finnish Parliament.

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 members of the new Supervisory Board were MPs Matti Vanhanen (chairperson), Pentti Oinonen (vice-chairperson), Olavi Ala-Nissilä, Kalle Jokinen (from 13 September 2016), Seppo Kääriäinen, Arto Satonen (until 9 September 2016), Jutta Urpilainen, Pia Viitanen, Ville Vähämäki and Ben Zyskowicz. The secretary to the Supervisory Board was Anton Mäkelä, LL.M.

Auditors

As at the end of 2016, the following individuals appointed by Parliament were Sitra's auditors: Sanna Lauslahti as chairperson (deputy member: Markku Eestilä), Esko Kiviranta (deputy member: Tapani Tölli), Antti Rinne, (deputy member: Lauri Ihalainen), Markku Koskela (APA, deputy member: Hannu Riippi, APA) and Tom Sandell (APA, CFPA, deputy member: Pauli Vahtera, APA). Professor Markku Koskela, APA, acted as the secretary to the auditors. BDO Oy acted as Sitra's assisting auditor, and Tiina Lind, APA, CFPA, as the principal auditor. 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 4,830,04.43, be carried forward to the retained surplus/deficit account.

Accomplishments in 2016



1 MEGATRENDS. These generated much discussion. Sitra's list of megatrends was downloaded more than 200,000 times, and it was used as a tool for planning the future by central government, organisations and companies. The trend cards were the hit of the year.

2 NATIONAL ROAD MAP TO A CIRCULAR ECONOMY.

Sitra brought together a thousand Finnish experts and the world's first nationally agreed road map was published in September 2016. Clean growth, here we come!

3 THE HELSINKI METROPOLITAN SMART & CLEAN FOUNDATION

started its operations in the summer and promised the most ambitious cleantech development that has ever been seen. The project initiated by Sitra is a joint effort involving a large group of participants. The expectations are high, even abroad.

4 NORDIC GREEN TO SCALE.

The world could reduce emissions by four gigatonnes by 2030 by introducing 15 Nordic climate solutions. Sitra showed that reducing the climate burden is not rocket science. There are already solutions available!

5 SERVICE CHANNEL.

In spring 2017, the co-operation launched by Sitra between Finland and Estonia to build a national service channel will culminate in the new Suomi.fi service, which provides a strong foundation for a digital society. The co-operation between the two nations is showing the rest of the world the way.

6 FLOWS OF MONEY IN SOCIAL WELFARE AND HEALTHCARE MADE VISIBLE.

Sitra's long-term work to create a framework for the social welfare and healthcare reform bore fruit again: a decision was made to use the service package model developed and trialled by Sitra as a national social welfare and healthcare screening method for monitoring costs and operations.

7 GENOME CENTRE.

The Finnish Government decided to establish a genome centre based on the genome strategy of Sitra and the Ministry of Social Affairs and Health. This decision is an investment of 17 million euros in the health of everyone in Finland. Did someone say that strategies are only pieces of paper that end up in the bottom drawers of desks?

8 IMPACT INVESTMENT.

Impact investment, introduced to Finland by Sitra, focuses on buying effectiveness instead of buying work performances. Two projects following the Social Impact Bond (SIB) model are already under way. One of them is the KOTO-SIB project of the Ministry of Economic Affairs and Employment, aimed at the integration of immigrants.

9 CULTURE OF EXPERIMENTATION.

The culture of experimentation that Sitra has been working on for years really made a breakthrough, also as a tool for larger societal development projects such as the basic-income trial and freedom-of-choice trials. In a complicated world, experimenting is a useful way to develop things, as long as we learn from it and make the necessary corrections and do not give up when we face the first setback.

+1 PRAISE AND CRITIQUE.

The more actively we work to develop society, the more we will be praised and will be challenged. And that is good!

Financial Statements 2016

Profit and loss account	34
Balance sheet	35
Accounting principles	36
Notes to financial statements (eur 1,000)	37
Signatures to board report and financial statements	47
Auditors' report	48

PROFIT AND LOSS ACCOUNT

EUR		Realised 2016	Realised 2015
Income	4	1,947,830.92	28,727,831.37
Expenses			
Personnel costs	1	-13,791,710.05	-13,515,123.96
Expenses from projects	2	-8,686,802.77	-8,960,863.95
Investment expenses	4	-11,207,490.28	-6,952,621.48
Depreciation		-132,808.00	-119,666.25
Other expenses	3	-4,650,329.39	-6,151,600.88
Total expenses		-38,469,140.49	-35,699,876.52
Endowment capital			
Income from endowment capital		41,253,088.75	36,700,751.29
Expenses from endowment capital		98,625.25	-2,733,743.18
Total endowment capital	4	41,351,714.00	33,967,008.11
Surplus/deficit for the financial year		4,830,404.43	26,994,962.96

BALANCE SHEET

EUR		Realised 2016	Realised 2015
Assets			
Fixed assets			
	5	6,137.29	10,095.61
	5	444,662.44	430,835.85
	6	710,083,693.86	703,173,027.25
		710,534,493.59	703,613,958.71
Current assets			
	7	521,824.88	283,348.42
		4,523,366.25	7,074,504.21
		5,045,191.13	7,357,852.63
Total assets		715,579,684.72	710,971,811.34
Equity and liabilities			
Equity			
		235,463,097.04	235,463,097.04
		470,999,369.22	444,004,406.26
		4,830,404.43	26,994,962.96
		711,292,870.69	706,462,466.26
Liabilities			
	8	4,286,814.03	4,509,345.08
		4,286,814.03	4,509,345.08
Total equity and liabilities		715,579,684.72	710,971,811.34

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 (EUR 1,000)

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

1 Personnel costs

Personnel costs

EUR 1,000	2016	2015
Wages and salaries	-10,119	-10,002
Pension expenses	-2,141	-2,054
Other statutory payroll expenses	-591	-535
Other payroll expenses	-940	-924
Total	-13,792	-13,515

Wages and remuneration of management (included in the personnel costs above)

EUR 1,000	2016	2015
Supervisory Board	-29	-31
Board of Directors	-46	-46
President	-256	-282
Total	-331	-359

The number of personnel at the end of the year was 156 (2015: 139).

2 Expenses from projects

EUR 1,000	2016	2015
Foresight	-551	-178
Capacity for renewal		
Theme level	-369	-567
Digital Health HUB	-836	-165
Human-driven health	-232	0
Social and healthcare financing	-1,000	-801
Completed focus areas	-963	-2,182
Total	-3,400	-3,715
Resource-wise and carbon-neutral society		
Theme level	-516	-526
Carbon-neutral industry	-947	-1,125
Circular economy	-679	-486
Resource-wise citizen	-22	0
Completed focus areas	-96	-1,162
Total	-2,261	-3,300
New working life and sustainable economy		
Theme level	-87	-202
Transformations of work	-352	-258
Impact investing	-414	-223
Total	-854	-683
Societal training		
Level of activity	-113	-473
Anniversary and Ratkaisu 100	-811	-130
Leadership training for sustainable economic policy	-137	-152
Renewal of state cultural grants	-162	0
Total	-1,223	-755
Management	-12	-110
Strategy	-2	-8
Communications and Public Affairs	-200	0
Administration	-184	-28
Amount	0	-183
Total	-8,687	-8,961

3 Other expenses

EUR 1,000	2016	2015
Real estate expenses	-1,605	-2,746
ICT expenses	-726	-706
Advisory services	-609	-785
Communications and Public Affairs	-521	-499
Other expenses	-1,189	-1,414
Total	-4,650	-6,152

4 Income and expenses from investments

EUR 1,000	2016	2015
Income from investments		
Profits on the sale of investments	36,146	50,639
Interest income	227	221
Dividend income	1,108	971
Income from fund investments	5,492	8,623
Other income	227	4,975
Total	43,201	65,429

EUR 1,000	2016	2015
Expenses from investments		
Losses on realisation of investments	-1,661	-2,323
Remunerations	-484	-510
Change in value	-8,672	-6,138
Other expenses	-291	-716
Total	-11,109	-9,686

5 Tangible and intangible assets

During the year, Sitra acquired fixed assets amounting to EUR 0.2 million (EUR 0.1 million in 2015).

EUR 1,000	Book value 01/01/16	Increases	Decreases	Deprecia- tion	Book value 31/12/16
Intangible assets					
ICT programmes	10	0	0	-4	6
Total	10	0	0	-4	6

EUR 1,000	Book value 01/01/16	Increases	Decreases	Deprecia- tion	Book value 31/12/16
Tangible assets					
Machinery and equipment	210	156	-13	-129	224
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
Total	431	156	-13	-129	445

6 Investments

EUR 1,000	2016	Change	2015
Business development and funding	10,055	-11,593	21,649
Venture capital funds	38,864	-3,534	42,398
Endowment capital investments			
Bonds	416	-1,159	1,575
Shares	2,086	-120	2,206
Fund investments	615,062	13,143	601,919
Private equity fund investments	42,100	10,350	31,749
Real estate investments	1,498	-45	1,543
Short-term investments	2	-131	133
Total	710,084	6,911	703,173

BUSINESS DEVELOPMENT AND FUNDING

Shares, participations and other investments held by Sitra

1 000 EUR	Shares and participations		Capital loans and other loans	Amount total
	Holding	Amount	Amount	
Aura Mare Oy	0%	0	750	750
AW-Energy Oy	12%	1,893	680	2,573
Biotie Therapies Oyj	0%	0	673	673
Cleantech Invest Oyj	2%	346	0	346
Crisolteq Oy	0%	0	300	300
FIT Biotech Oy	27%	15,494	400	15,894
Fixteri Oy	43%	2,499	195	2,694
KC-Holding 3 Oy	38%	2,344	0	2,344
Kuntien Tiera Oy	0%	0	4,305	4,305
MediXine Oy	15%	1,126	25	1,151
Mesera Cranes Finland Oy	0%	0	100	100
Mobidiag Oy	1%	5,183	618	5,801
NaturVention Oy	8%	623	0	623
Nexstim Oyj	10%	13,567	0	13,567
Odum Oy	45%	885	0	885
Omegawave Oy	29%	3,171	0	3,171
One1 Oy	12%	150	0	150
Optomeditech Oy	13%	600	0	600
Panphonics Oy	22%	1,534	0	1,534
ProFlax Oy	10%	13	135	148
QuatRx Pharmaceuticals Company	1%	3,035	0	3,035
Savo-Solar Oyj	12%	4,039	0	4,039
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
				74,883
Total business development and funding				74,883
Cumulative change in value				-64,827
Book value				10,055

VENTURE CAPITAL FUNDS

Sitra's investments in funds

EUR 1,000	Amount	EUR 1,000	Amount
AC Cleantech Growth Fund I Ky	5,000	MB Equity Fund Ky	0
Aloitusrahasto Vera Oy, EAKR-Aloitusrahasto Oy	2,000	NegaWatt	
Apple Tree Partners II L.P.	0	Energiatehokkuusrahasto 1 Ky NegaWatt	136
Armada Mezzanine Fund III Ky	335	Energiatehokkuusrahasto 2 Ky	897
Baltic Investment Fund III L.P.	311	Nordia Rahasto Oy	3,229
Boston Millennia Partners L.P.	1,284	Norum (Cyprus) Ltd	1
CapMan Russia Fund L.P.	3,196	Palvelurahasto I Ky	1,809
Capricorn Cleantech Fund	4,000	Power Fund III Ky	1,509
Chrysalix Energy III Ltd	3,570	SET Fund II C.V.	1,060
Crescendo III L.P.	1,799	Sitra / Sitra Management Oy	470
Dasos Timberland Fund II	3,031	Social Impact Accelerator	119
Diamondhead Ventures L.P.	1,312	Spintop Investment Partners II AB	895
Edison Venture Fund IV L.P.	0	Strategic European Technologies N.V.	3,010
Epiqus Työhyvinvointi I Ky	191	Terveysrahasto Oy	633
Eqvitec Teknologiarahasto I Ky	1,346	The Russian Technology Fund L.P.	140
Folmer Equity Fund I Ky	1,803	Trident Capital Fund-V L.P.	357
InnKap II Partners	855	Ventech Capital II	2,455
InnKap III Partners	2,049	Verdane ETF II SPV Ky	2,028
Inveni Secondaries Fund II Ky	1,805	VisionPlus Fund I Ky	4,665
Inveni Secondaries Fund II Follow-on Ky	478		62,801
Inventure Fund II Ky	1,606		
Korona Fund III Ky	62	Total fund investments	62,801
Lifeline Ventures Fund I Ky	3,059	Cumulative change in value	-23,937
Lifeline Ventures Fund III Ky	296	Book value	38,864

ENDOWMENT CAPITAL INVESTMENTS

EUR 1,000	Book value	Market value
Bonds		
Leverator Oyj 21 June 2018	416	416
Shares		
Nokia Oyj	1,460	8,747
Technopolis Oyj	626	626
Total	2,086	9,373
Fund investments		
Equity funds		
Aberdeen Global World Equity A2	36,275	57,488
Alfred Berg Suomi Focus B	33,604	33,854
Carnegie Worldwide Emerging Markets Equity	2,596	2,620
Danske Invest Suomi Yhteisöosake K	39,674	48,007
Fondita 2000+ B	12,323	22,654
Handelsbanken Eurooppa Indeksi (A1 EUR)	16,605	16,606
Impax Environmental Markets Euro A	18,027	27,672
JP Morgan Global Equity F USD XE	84,489	104,096
JPM Emerging Markets Equity Fund I EUR	28,046	33,023
OP-Focus A	5,815	6,207
OP-Suomi Arvo A	49,813	70,589
Bond funds		
Aktia Emerging Market Bond+ D	10,598	12,316
Bluebay Investment Grade Bond IB EUR	43,253	46,988
Danske Invest Em Markets Debt K	7,157	9,119
Danske Invest Valtionobligaatio K	15,408	18,008
Danske Invest Yhteisökorko K	77,436	78,351
Evli European High Yield B	17,490	23,911
LähiTapiola Yrityskorko A	30,916	40,397
Nordea Valtionlaina AAA I K	11,556	14,341
OP-EMD Local Currency A	11,257	11,683
OP-Obligaatio Prima A	10,012	11,439
SEB Global High Yield B	17,323	20,824
Other quoted investments		
BNP Paribas Property Securities Fund Europe	8,108	8,415
eQ Hoivakiinteistöt 1 T	9,098	9,460
eQ Metsä 1 T	1,081	1,090
UB Global REIT K	12,035	14,018
UB Metsä I	3,000	3,000
Ålandsbanken Asuntorahasto Erikoissijoitusrahasto C	2,067	2,392
Total	615,062	748,568

1 000 EUR	Book value	Market value
Private equity fund investments		
Access Capital Fund II	0	14
Bocap SME Achievers Fund II Ky	30	1
Boston Millennia Partners II L.P.	579	758
Bridgepoint Europe V	1,407	1,415
CapMan Buyout X	3,865	4,063
Crescendo IV, L.P.	0	526
European Fund Investments II	895	836
MB Equity Fund V Ky	88	0
Sentica Buyout IV Ky	3,876	3,863
Standout Capital I AB	50	49
Vaaka Partners Buyout Fund II Ky	3,964	4,293
Verdane Capital IX (E) AB	341	308
Verdane Capital VIII K/S	3,012	3,519
Real estate private equity funds		
Aberdeen Property Fund Finland I Ky (APFF)	2,055	2,055
BPT Healthcare II KY	3,850	4,246
Capman Nordic Real Estate FCP-SIF	4,778	6,441
ICECAPITAL Residential Property Fund I Ky	3,000	3,277
LähiTapiola Asuntorahasto Prime Ky	5,000	5,214
OP Toimitilakiinteistö Ky	3,000	3,022
Real Estate Debt and Secondaries Ky	2,311	2,381
Total	42,100	46,279
Real estate investments		
Erottajan Pysäköintilaitos Oy	1,498	2 174
Total	1,498	2 174
Short-term investments		
	2	2
Total	2	2
Total endowment capital investments	661,165	806,812

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**EUR 1000**

Name	Sitra Management Oy
Registered office	Helsinki
Holding	100%
Equity	311
Surplus/deficit for the financial year	-115

The latest adopted financial statements of Sitra Management Oy are from 2015.

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
Bio Fund Management Oy
Eqvitec Partners Oy
RTF Founders L.P.

7 Receivables

EUR 1,000	2016	2015
Accrued income and deferred charges		
Accrued income from investments	36	0
Other accrued income	284	274
Total	320	274
Accounts receivable	202	10
Total	522	283

8 Short-term liabilities

EUR 1,000	2016	2015
Advance payments	49	0
Accrued expenses and deferred income	2,491	3,163
Accounts payable	1,276	940
Other short-term liabilities	470	406
Total	4,287	4,509

9 Securities and contingent liabilities

EUR 1,000	Expiry in 2017	Total liabilities
Fund commitments	not known	56,924
Special guarantee	0	12
Leasing liabilities	3	3
Rental liabilities	1,044	3,871
Total		60,809

Sitra's personnel has a group pension insurance, which includes an old-age pension, a disability pension and a survivor's pension. The retirement age in the insurance is 65 years. The emphasis of the current insurance is on disability pension. The pension includes dormant rights regarding old age and survivor's pension. As the work pension reform comes into effect at the beginning of 2017, Sitra is replacing and updating the group pension policy of its employees. For this purpose, Sitra has sent an acquisition notice through the HILMA notification channel on the acquisition of additional pension insurances for its employees. The acquisition was still under way when the financial statements were completed. The insurance payment for 2017 is estimated to be about EUR 300,000.

SIGNATURES TO BOARD REPORT AND FINANCIAL STATEMENTS

Helsinki, 1 March 2017

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, 7 March 2017

SANNA LAUSLAHTI

ESKO KIVIRANTA

ANTTI RINNE

TOM SANDELL, APA, CFPA

MARKKU KOSKELA, APA

Appendices

Decades of Sitras work

1960s

The Finnish Parliament establishes Sitra as a gift to celebrate the 50th anniversary of Finland's independence. Sitra is given the mission to ensure competitiveness and growth, and consequently develop the successful Finland of tomorrow. The operations start well, the first research project is concerned with the prevention of environmental pollution. Sitra invests risk capital in the internationalisation of lift technology company Kone – and the rest is history.

1970s

Finnish researchers develop xylitol (birch sugar) partly with the help of Sitra's funding. Sitra is also involved in other product development as it establishes the Foundation for Finnish Inventions. The first financial policy leadership course is held, embracing a spirit of experimentation in 1977, and futurology becomes part of Sitra's agenda.



1980s

Sitra introduces venture capital investment to Finland. Meanwhile, the recombinant DNA project launches genetic research in Finland. The "Finnish economy 2010" report predicts that cars will run partly on electricity, among other things, and stimulates debate on the future in Finland. A solar village is constructed in Kerava.

1990s



While Sitra is Finland's largest capital investor, its research, training and innovation projects also become increasingly important towards the end of the decade. Topics range from biodegradable implants to an information society strategy. Having operated under the Bank of Finland until now, Sitra is moved to operate directly under the Parliament of Finland. The state provides Sitra with Nokia shares that allow it to raise its endowment capital.

2000s

This era is marked by the awakening of softer values: in addition to economic growth, consideration is focused on the prevention of social exclusion, and skills become a focal point alongside knowledge. The pre-seed work, bringing together investors and start-up companies, is lauded, and Sitra begins its journey with digital information systems in healthcare. Decision-makers team up to discuss Finland's future as part of the Finland 2015 programme, while the decades-old economic policy training is suspended in 2005, only to be eventually reinstated in the following decade.

2010s

Sitra's work on megatrends is reaping rewards. The electronic service channel is on its way to becoming the foundation of the digital society, and Sitra is accelerating the role of health technology as a growth industry. Decades-long work on the climate culminates in the national road map to a circular economy. Sitra introduces impact investing to Finland. The investor has developed into a versatile societal influencer, a genuinely future-oriented organisation.

2017

In 2017, when Finland celebrates its 100 years of independence, Sitra has its 50th anniversary. The fund for the future will be celebrating it with by continuing its work.



Contact details

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



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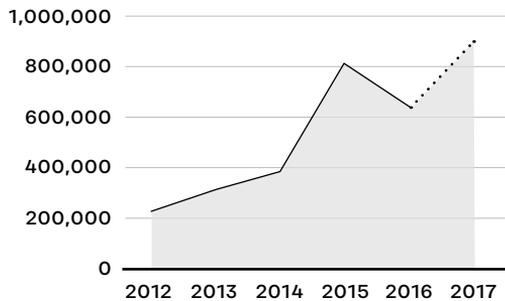
E-mail addresses: firstname.surname@sitra.fi

THE MOST DOWNLOADED PUBLICATIONS IN 2016 (MOSTLY IN FINNISH)

- 1.** Megatrendit 2016*
- 2.** Kierrolla kärkeen – Suomen tiekartta kiertotalouteen 2016–2025
- 3.** Sote-tiedosta tekoihin
- 4.** Megatrends 2016 (EN)
- 5.** Ratkaisu 100 -haastekilpailun kilpailuohjelma
- 6.** Sosiaali- ja terveyspalveluiden tietojohdamisen käsikirja
- 7.** Kiertotalouden mahdollisuudet Suomelle
- 8.** Perspectives on new work (EN)
- 9.** Palvelupakettikäsikirja
- 10.** Millainen on työn ja työmarkkinoiden tulevaisuus?

*In addition to the publication, Sitra's online megatrends presentation was downloaded 240,000 times and the megatrend cards that were developed to support debates on future became a sought-after and much-used tool for future-oriented work.

NUMBER OF VISITORS ON SITRA'S WEBSITE



RISE TO SHINE!



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