

FOUNDATION FOR A LIVING BALTIC SEA

ANNUAL REPORT 2009

In 2009, the Foundation for a Living Baltic Sea (Baltic Sea Action Group, BSAG) focused on the pioneering Baltic Sea Action Summit (BSAS) process that the Foundation initiated and executed in cooperation with the President of Finland Tarja Halonen and Prime Minister Matti Vanhanen. The Ministry for Foreign Affairs of Finland shared the responsibilities of the realization of the process with BSAG. Through this process, the Foundation launched its solution-oriented and cooperative way of working to the whole Baltic Sea area. Simultaneously, it was able to promote solutions to the most serious problem categories that the Baltic Sea faces today. The cooperation parties were the Heads of State of ten countries around the Baltic Sea and more than 140 corporations or other entities that committed to tangible actions for the welfare of the sea.

The Foundation was donated a total sum of EUR 317,602.39 during the fiscal year. The budget deficit was EUR 125,038.27. By the end of the fiscal year the equity of the Foundation in the profit and loss statement was EUR 328,978.14. Donated work and services that remarkably assist the work for the benefit of the sea are not included in these figures.

2009 was the first whole working year of the Foundation. The Foundation was registered on 3 March 2008. The founders of the Foundation for a Living Baltic Sea are Mr. Ilkka Herlin, Ms. Saara Kankaanrinta and Ms. Anna Kotsalo-Mustonen. To simplify the practices and communication, the Foundation is presented as the Baltic Sea Action Group (BSAG) in public. The official name of the Foundation is registered in all the 14 languages of the catchment area.

I GENERAL

Purpose of the Foundation: To support and promote the wellbeing of nature and people and thus to preserve and contribute to Finland's cultural heritage. The Foundation carries out its purpose according to its rules. All the ways in which the purpose of the Foundation is being carried out fulfill only this purpose and are not business activities. The rules of the Foundation have been formulated to comply with the Foundations Act and good manners.

Values: Harmony between nature and man, courage to reach for good deeds as well as openness and honesty.

Principles: To improve the state of the Baltic Sea, the Foundation combines research results, financing, political decision-making and enforcement resources, the resources of companies and the execution of various projects. The core of the Foundation is a solution-oriented approach and way to work. The Foundation initiates, accelerates and realizes tangible projects. The working process of the Foundation creates added value to the society through its catalytic and holistic view that activates the resources and leverage of different sectors to reach tangible goals. The work of the Foundation enhances the societal resources in combining forces and accelerating problem solving. The quicker and more effectively the problems are tackled, the more profitable the work is.

The vision of the Foundation is a clean, ecologically balanced and vital Baltic Sea.

Board of Trustees: The members of the Board of Trustees were Ph.D. Ilkka Herlin, M.Sc. Economics Peter Immonen and Professor Lassi Linnanen. The Board of Trustees held eight meetings. The board members worked without getting any compensation for their work.

Administration and organization: The Secretary General, M.Soc.Sc. Saara Kankaanrinta, administrated the actions of the Foundation and conducted the cooperative BSAS process within the BSAG. She worked also as the content leader of the Summit.

As responsible for the corporate relations and fundraising of the Foundation, the Development Manager, Ph.D. (Econ.) Anna Kotsalo-Mustonen, took care of collecting the BSAS commitments and launching the process in and outside Finland.

M.Sc. Eija Hagelberg started working as Project Manager for the JÄRKI project in January.

Ph.D. Mathias Bergman continued as the Program Director of the Maritime Program within which M.Sc. Antti Jokinen started from September as Senior Advisor. He concentrated on, among other things, the AIS+ project.

Mikko Friman assisted the Maritime Program doing research for half a year.

M.Sc. Marja Koljonen joined the organization at the end of the year concentrating on the Hazardous Substances Program.

M.Sc. Marina Poutanen, who has specialized in wastewater engineering, joined the Foundation in the autumn as coordinator for the Baltic States and Russia.

Emilia Mustonen worked as a producer for the BSAS concentrating on marketing and communication for the whole year.

Heli Launiainen was employed as Kotsalo-Mustonen's personal assistant in the early autumn. Almost concurrently Pieta Jarva was recruited as communications assistant who also worked as the director of the Summit.

The Chairman of the Board Ilkka Herlin took actively part in the work of the Foundation throughout the year.

The Secretary General formulates a procedure confirmed by the Board of Trustees to guide the activity of the Foundation. The operational organization consists of both employees and voluntary workers. In 2009, this amount included also two persons employed through the employment aid and labor market training program organized by the Ministry of Labour. By the end of the year there were ten persons working for the Foundation 80-100% of their working time, six of which were employed regularly. Even though the management of several frequently changing voluntary and fixed-term employees is challenging to a developing organization, this policy has proved valuable.

The financial administration has been outsourced to an authorized public accountant, Aila Henriksson. The controllers are CPA Jan Holmberg and CPA Johan Kronberg from PriceWaterHouseCoopers Oy.

International Advisory Board: The Chairman of the Foundtion's high-level International Advisory Board is the President of the Republic of Finland, Tarja Halonen. The other members of the Board are Ilkka Herlin, the Finnish and Estonian Foreign Ministers Alexander Stubb and Urmas Paet, the Chairman of the Board of Nokia and Shell, Jorma Ollila, one of the leaders of the Swedish Foundation Asset Management, Axel Wallenberg and Professor Bengt Holmström from MIT. The Chairman of HELCOM, the Deputy Minister of

Natural Resources and Environmental Protection of the Russian Federation, Igor Maydanov joined the Board in 2009.

Asset Management: According to the Foundations Act, the Board of Trustees is responsible for managing the assets of the Foundation in a profitable manner. An investment plan was not yet on the agenda this year as the Foundation for a Living Baltic Sea does not manage voluminous assets. Instead, the Foundation has decided to use the original capital to support the starting of the functions during the first two years. The legitimacy of this decision was consulted with a lawyer specialized in foundations, Oili Kela while the Foundation was being established.

II ACTIVITIES

Programs and projects: In 2009, the Baltic Sea Action Summit (BSAS) process gave a clear frame to the work. On top of the current projects, the activities concentrated on catalyzing various solutions to the most severe problems that affect the Baltic Sea throughout the catchment area. The problem areas are: nutrient recycling from the wastewaters, the emissions from agriculture, maritime traffic and emissions, hazardous substances and toxic landfills. Making commitments to improve the state of the sea was a fundamental part of the BSAS process. At its best, a commitment is new, tangible and a strategic investment in the welfare of the Baltic Sea.

The process resulted in over 140 organizations making and publishing their commitment in 2010. Most of these commitments were processed in 2009. Thus the work was mainly advancing projects that had been started in the previous year and preparing for the Summit—the latter meaning gaining and formulating new commitments. Through the new commitments the Foundation gained a notable amount of new projects, contacts and new information.

The Baltic Sea Action Summit was launched in the House of the Estates in Helsinki on 19 May, and it reached its peak at the Finlandia Hall on 10 February 2010. The Summit guests, Heads of State and other commitment makers, were hosted by the co-convenors, the President, the Prime Minister, and the Chairman of the Foundation, Ilkka Herlin. The Foundation and the Ministry for Foreign Affairs were together responsible for the operational arrangements of the Summit. The Foundation was liable for the commitments and the contents of the Summit and partly for the communications of the event. The Ministry for Foreign Affairs was responsible for the practicalities and inviting of the Heads of State.

The first remarkable outcome of the process was that the wastewater endeavor of Kaliningrad was finally restarted after some interruptions. The Prime Minister of the Russian Federation, Vladimir Putin, announced this as his commitment in October 2009 and said he would support the BSAS. This alone meant that the process was a success as Kaliningrad had been one of the biggest hot spots in the area—and proved that the cooperation between the Foundation and the state level worked.

Program A: Agriculture and bioenergy: The program promoted reducing emissions from agriculture to the water system and recycling the nutrients in the fields, wastewater sludge, and bioenergy mass. The Foundation formulated commitments in this field together with Kemira, Yara, UPM Kymmene and several farmers and research institutes, among others. Approximately ten actors, including Helsinki Energy, Fortum, Finnish Consulting Group, and several consortia from the Russian Federation, committed to solving the poultry manure problem in Leningrad oblast.

The Foundation started the Järki project to diminish the Finnish agricultural emissions and to promote biodiversity together with the Nature and Game Management Trust Finland. The first year, the target was to connect with the rest of the actors and to offer assisting consultation to the farmers, as well as to agree on the future ways in which to work. The goals were met well.

There were visits to 38 farms, and 28 agri-environmental subsidy plans were made on the top of assisting in diverse subsidy applications (for farmers establishing fallows, for example). The difficulties that the land owners face when they want to establish wetlands buffer zones were also investigated. The problems include lack of consultation, difficulties in gaining specific information, a complicated application form and the bureaucracy included, technical problems and the lack of equipment and local cooperation, among other things. The Foundation also started working on proposals to improve the environmental subsidies for the next program period. The steering group met four times during the year. The meetings included mostly good and inspiring discussions. The steering group consists of the best specialists in the branch and decision-makers.

The Foundation also explored the poorly known possibilities to use fish in energy production in the environmental and economical respect. The aim is to recycle phosphorus to be used in fertilizing. The study includes counting the material flows and the carbon footprint. In the project were engaged also a fishing entrepreneur, Lappeenranta University of Technology, the Finnish Game and Fisheries Research Institute, the Finnish Ministry of Agriculture and Forestry, and the Central Union of Agricultural Producers and Forest Owner (MTK).

The Foundation takes part in an agricultural project, the Baltic Compass, which is funded by the Baltic Sea Programme and has received the status of a strategic scheme by the EU. The Foundation is in the command of the communication of the project. There are 23 participants from nine countries around the Baltic Sea in the program. The Foundation planned the start of the program together with the Swedish University of Agricultural Sciences since September. Communications Director Paula Biveson was recruited at the end of the year.

Program B: Clean and safe maritime traffic: To promote safer maritime traffic and diminishing the emissions, the Foundation was able to engage more than 30 notable actors in the BSAS process. The first ones to act were Viking Line, IBM, VTT, Bain & Co and Ekomarine Ab, who took part in the launch in May.

The most remarkable projects for the Foundation during the year are AIS+ (participants of which are IBM Finland, VTT, IL, Viking Line, Crystal Pool) and the Baltic Vessel Traffic Information System (BVTIS) that comprises the whole of the Baltic Sea area. This project has started with vast research.

In the AIS+ project, the maritime safety will be increased by extending the obligatory but narrow Automatic Identification System (AIS). The result will be enhanced maritime communication between vessels and local authorities to improve the efficiency of communication and safety in the Baltic Sea without huge investments. The idea of a better application has been welcomed by the professionals and the increasing amount of traffic increases its importance and need in practice. The Foundation has discussed the financing of the project with the private sector and some of the Finnish ship owners.

The BVTIS project aims at a smooth, integrated information and guidance system for all the vessels around the Baltic Sea. To connect this system with the total logistics frame planned by the EU is also included in the plan. The project is part of the EU Baltic Sea strategy. There have been numerous projects by different actors investigating the process, and the first challenge of the project is to clarify the results of the previous investigations and finding out the effects.

The Foundation cooperated with Bain & Co to successfully improve the waste management project of the main ports of the Baltic Sea. By the end of the year, the result was that both the St. Petersburg and Copenhagen ports decided to apply the no-special fee policy. There were also negotiations with the ports of Tallinn and Riga. The results of the Port Waste Reception project (PWR) were reported to the IG meeting of HELCOM in Copenhagen in October-September and to the Maritime meeting in Lübeck. Since then, the issue has been on the agenda in many countries. The Foundation succeeded in engaging the European Cruise Council (ECC) to actively promote this as well.

Also the simulator project was advanced by introducing the project to ship owners and financiers during the year. The investigation of the RIVA project—mapping out the oil combat equipment needed—was finalized. It means that a list of needed donations is made and ready for use. At the end of the year the Foundation also started negotiations with Lloyd's Finland and Lloyd's London.

Program C: Hazardous substances and toxic landfills: The Foundation contributed to improving the REACH cooperation between the Russian Federation and the EU on a practical level with the commitments agreed and formulated with, for example, Vodokanal of St. Petersburg. Knowing that the problems caused by hazardous substances are among the most severe, yet least known in the Baltic Sea area, the Foundation emphasized this theme in the launch of the BSAS and the lobbying.

In November, the chemistry expert of the Foundation, Marja Koljonen, started analyzing where the Foundation could add best value in projects dealing with hazardous substances, and how to be of use to, for example, the vast projects HELCOM runs at the moment. A representative of the Foundation has been taking part in the steering group work of HELCOM's BaltHazAr scheme. The Foundation got both the Minister of Natural Resources of the Russian Federation, Yuri Trutnev, and the Finnish Minister of the Environment, Paula Lehtomäki, to join the scheme as patrons.

Program D: Innovative solutions and new challenges: More than 30 organizations of those who took part in the Baltic Sea Action Summit defined their commitment to belong to the innovative solutions category. The Foundation gives strong support to exploring new methods and developing research together with research entities and corporations.

One of the pivotal targets of the Foundation is to increase the interaction between the Baltic Sea researchers, the political decision-making, financing, and the executive level. This was the reason to offer the Academy of Finland and BONUS EEIG to arrange a research event associated to the Summit. This was accepted and as result the researchers' message to the Heads of State of the area was presented at the Summit. The Foundation took part in the steering group of the so-called Bonus Day. The Foundation succeeded in attracting several commitments made by various universities, academies and research institutes. These commitments contribute widely to bring science and the practice nearer to each other.

Community relations and networking: The Foundation has been in contact with the Office of the President of the Republic of Finland and the Prime Minister's Office on a daily basis throughout the year. As a byproduct of the BSAS process, the Foundation has gained very good and active connections especially with the Finnish public sector and decision-makers, as well as to those of the other countries in the Baltic Sea catchment area. The network was also enhanced towards the private and NGO sectors both in Finland and in the Baltic Sea catchment area.

The BSAS process and its new way of solving problems was being presented in informal seminars around the catchment area in the Finnish embassies and consulates in the following cities during the autumn: Hamburg, Berlin, Tallinn, Stockholm, Riga, Copenhagen, Oslo, Vilnius, Warsaw and St. Petersburg. The Ministry for Foreign Affairs of Finland and the Ambassador for Baltic Sea Issues were the hosts of these

events. The informative gatherings were aimed at local representatives of corporations and other organizations, the media and local administration. Anna Kotsalo-Mustonen and Ilkka Herlin were responsible for the tour on the BSAG's part. The main objective was to collect tangible commitments for the Baltic Sea and to raise awareness of the BSAS initiative. Additionally, Saara Kankaanrinta and Anna Kotsalo-Mustonen frequently had meetings with the ambassadors of the target countries accredited in Helsinki.

Communications and marketing: The emphasis was put on work that promoted the BSAS. Taivas Marketing Communications cooperated keenly creating a new visual design, logo and homepages for the Summit. The input of Taivas was crucial in producing the Summit throughout the year. Hill and Knowlton Finland cooperated in creating a communication plan for both the Foundation and the Summit. Also the key messages were crystallized with their help. Both these companies volunteered and worked in an enthusiastic manner.

The first vast event arranged by the Foundation was the launch of the Baltic Sea Action Summit in the House of the Estates in Helsinki on 19 May 2009. There were 170 representatives of the business world, media and other interest groups invited. The initiative was launched using the co-convenors, the President, the Prime Minister and the Chairman of the Foundation, Ilkka Herlin and nine commitment making enterprises as key figures. A remarkable amount of positive publicity was attained.

The new approach to problem solving launched by the Foundation was one of the key messages of the BSAS process. The message was based on the fact that the work for the Baltic Sea could be a global example of a hands-on and solution-oriented way of working, based on cooperation that could be used for as big a problem as the climate change. Together with the Department for Communications and Culture of the Finnish Ministry for Foreign Affairs the Foundation presented the BSAS process and way of working to over 100 Finnish and foreign representatives of the media.

The cooperation with the Foreign Ministry was fruitful in Finland and all the embassies or consulates in the area. The Summit was also present in cooperation with Finpro and the Finnish Foreign Ministry at the Bright Green fair that was arranged in Copenhagen in connection with the UN Climate Change Conference 2009. There was also an outdoor advertising campaign in almost ten important cities in the Baltic Sea catchment area designed in cooperation with Taivas and JCDecaux. The campaign was realized in the beginning of 2010. The Foundation succeeded in gaining publicity for both the Summit and BSAG. By the end of the year there had been approximately 60 relevant articles in ten different languages published. The preliminary work made in 2009 was visible during and after the Summit in 2010 as there were more than 1,500 articles published globally (in 30 countries) about the event and the process in just one week.

Resources and fundraising: Anna Kotsalo-Mustonen is responsible for fundraising. The functions of the Foundation were financed by the original capital and donations in 2009. One of the main objectives was to engage actors in work for the Baltic Sea within their core competence and not consume efforts on fundraising. This proved to be a good choice as the value of the donated work and services is considerable and exceeds separate fundraising and buying the services in efficiency.

The monetary donations were EUR 317,602.39. The most significant donators were Cargotec Corporation, Viking Line and some private persons. The donated assets were used to finance the basic functions of the Foundation. Out of the total sum, EUR 75,000 was donated by the Louise and Göran Ehrnrooth Foundation to the Järki project, which is run in cooperation with Nature and Game Management Trust Finland.

Potential threats to the functions: The BSAS process has made the Foundation grow quickly in significance and size. This carries also risks. On the other hand, a sudden lack of resources and supervising

operations that cover wide areas may become a problem. A growing amount of cooperative parties includes reputation risks if the projects fail or communication is inadequate. The global changes and problem areas also provide uncertainty, one example of which is the unknown effects to the Baltic Sea by the climate change.