



ANNUAL REPORT

Translation of the Estonian original

beginning of financial year: 01.01.2014

end of financial year: 31.12.2014

foundation name: Estonian Institute for Sustainable Development,
Stockholm Environment Institute Tallinn Centre

registry code: 90000966

street name, house number: Lai 34

town: Tallinn

county: Harju county

postal code: 10133

phone: +372 6276100

fax: +372 6276101

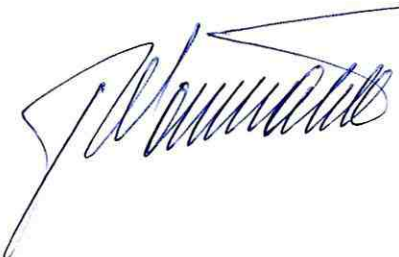
e-mail address: tea.nommann@seit.ee, info@seit.ee

Internet homepage: www.seit.ee; www.sei-international.org/tallinn

A handwritten signature in blue ink, appearing to read 'J. Nommann', with a long horizontal line extending to the right.

Table of contents

Management Report.....	3
The Financial Statements.....	17
Balance sheet.....	17
Statement of activities.....	18
Statement of cash flows.....	19
Statement of changes in net assets.....	20
Notes to the Financial Statements.....	21
Note 1 Accounting policies.....	21
Note 2 Cash.....	24
Note 3 Receivables and prepayments.....	24
Note 4 Tax prepayments and liabilities.....	24
Note 5 Property, plant and equipment.....	25
Note 6 Operating lease.....	25
Note 7 Payables and prepayments.....	26
Note 8 Donations and grants.....	26
Note 9 Revenue from business operations.....	27
Note 10 Miscellaneous operating expenses.....	27
Note 11 Labour expense.....	27
Note 12 Related parties.....	27
Signatures to the Annual Report.....	29
Independent Sworn Auditor's Report.....	30



2

Management Report

SEI TALLINN IN 2014

The Stockholm Environment Institute Tallinn Centre, SEI Tallinn, bridges science and policy by providing decision makers with integrated knowledge and independent research in the fields of environment and sustainable development.

Our mission is to induce change towards sustainable development in Estonia and the Baltic Sea region, Central and Eastern Europe, and with the Stockholm Environment Institute (SEI) international network globally. In addition to the Stockholm and Tallinn centres, the Stockholm Environment Institute (www.sei-international.org) international network includes centres in York, Oxford (UK), Boston, Seattle, Davis (USA), Bangkok (Thailand), Nairobi (Kenya).

2014 was the final year of the current SEI strategy (2009-2014) and the year of completion of the new strategy (2015-2019). In the new strategy, the Stockholm Environment Institute continues the execution of its current mission in addition to a unified vision „A sustainable, prosperous future for all.“ The three major fields of our activity and outputs in the new strategy are: high-level research, input to policy processes and increasing awareness and skills. To achieve them we are focusing our efforts on four areas of activity: communication; analytical tools, platforms and ICT; organization, governance and sustainable funding; monitoring and evaluation of our work and institutional learning.

One of the highlights of 2014 was the international **'Sustainable Development Forum 2014: Blue economy in the vulnerable Baltic Sea'** organized by SEI Tallinn on 28th October. The Forum was dedicated to the Gulf of Finland Year and was attended by approximately 120 professionals, politicians, business and media representatives from both Estonia and other areas of Europe. The marine-centred blue economy is receiving increased attention at both the Baltic Sea Region and EU level. The blue economy is seen as having the possibility to accelerate economic growth and to create new jobs related to aquatic environments. However, the environmental impact of growing pressures accompanying the blue economy should be taken into account. At the Forum, SEI Tallinn honoured outstanding enterprises of the Estonian marine sector with the green economy promotion award **"Friend of the Baltic Sea 2014."** The Forum was attended by **Swedish Crown Princess Victoria and Prince Daniel and a speech was given by the Crown Princess.** The Sustainable Development Forums have been organized biannually by SEI Tallinn since 2001. The Forum was supported by the Estonian Environmental Investment Centre and Government Office in Estonia.

2014 was financially a year of great challenge for SEI Tallinn. In recent years, a significant part of funding has come from various European Commission funding programs (Interreg, Horizon, etc.). As 2014 was a so-called *gap-year* in EU funding programs, i.e., the funding within the preceding period had ended and the funding round of the beginning period was not open yet, a funding decline was foreseen. The fiscal year 2014 ended with break-even result, though total volume of revenue decreased about 25% compared to 2013. The fiscal year 2014 totalled 554 thousand Euros. The biggest financiers of SEI Tallinn were the Stockholm Environment Institute (core funding and project co-funding), the Estonian Environmental Research Center, the Estonian Ministry of Environment and the Estonian Environmental Investment Centre.

As of April 2014, SEI Tallinn has a new three-member Supervisory Board consisting of Jakob Granit (SEI Global Deputy Director and Stockholm Centre Director), Erik Puura (Vice Rector for Development of the Tartu University, PhD in Chemical Engineering), Linnar Viik (IT College lecturer and member of the Council, member of the European Institute for Innovation & Technology Governing Board and Estonian Research and Development Council).

MAIN ACTIVITIES

SEI Tallinn activities are aimed at identifying different environmental and developmental problems facing society, as well as finding and developing solutions for these problems. The main parts of SEI Tallinn's activities are aimed at integrating environmental sustainability into economic and social areas, raising awareness of these issues, as well as building capacity among different stakeholders in Estonia, the Baltic Sea region and Central and Eastern Europe.



Studies and publications

The scale of SEI Tallinn activities is very broad: scientific research, applied research, expert opinions, trainings, consulting, lectures, disseminating outcomes and publication of research results, as well as participation in various expert commissions.

For more information on SEI Tallinn's research projects please visit our web page at <http://www.sei-international.org/tallinn> (English) and www.seit.ee (Estonian). The overview of the performed work, trainings and conferences in 2014 can be found in the Annex of the Management Report (Table 3).

Last year, altogether **42** projects were carried out. About half of them were international cooperation projects. The analysis of important societal issues or new problems and the collection of needed data take time. Therefore, we also note the duration of our work, i.e., nearly half of the projects had a duration of more than one year, a little over one-fifth of the projects lasted for the duration of six months to a year and a third of the projects (applied research, expert evaluations, training, counselling) were carried out in less than half the year.

In 2014 SEI Tallinn experts published altogether **22** publications (articles, monographs, presentations, policy views and other creative activities).

Scholarly articles in journals (1.2):

- Ahtiainen, H., J. Artell, M. Czajkowski, B. Hasler [...] A. **Karlõševa** [...] T. **Nõmmann** et al. (2014). Benefits of meeting nutrient reduction targets for the Baltic Sea – a contingent valuation study in the nine coastal states. *Journal of Environmental Economics and Policy*, vol. 3(3): 278-305. DOI: 10.1080/21606544.2014.901923
- Leal Filho, W., H. **Moora**, Å. Stenmarck, J. Kroupiené (2014). An overview of approaches towards sustainable waste management in Baltic Sea region countries. *Research Journal of Environmental and Earth Sciences*, vol. 6(3): 134 – 142. <http://maxwellsci.com/jp/issue.php?jid=RJEES&no=417>

Monographs (2.2.):

- **Peterson**, K., P. **Kuldna**, P. **Peev**, M. **Uustal** (2014). *Reviewing the coherence and effectiveness of implementation of multilateral biodiversity agreements in Estonia*. Project Report, SEI Tallinn Series of Publications No 25, Tallinn. ISBN 9789949950140. <http://seit.ee/publications/4508.pdf>
- **Peterson**, K. (2014). *Keskkonnamõju hindamise algatamine ja selle motiveerimine Tallinna näitel* [Environmental Assessment screening decisions and motivation: case of Tallinn city]. SEI Tallinn Series of Publications No 26, Tallinn. ISBN 978-9949-9501-5-7 <http://seit.ee/publications/4509.pdf>

Dissertations published in a series of dissertations (2.3.):

- **Poltimäe**, H. (2014). *The distributional and behavioural effects of Estonian environmental taxes*. Faculty of Economics and Business Administration, University of Tartu, Estonia. Dissertations rerum oeconomicarum Universitatis Tartuensis: 49. ISBN 978-9949-32-548-1. <http://dspace.utlib.ee/dspace/handle/10062/40552>
PhD dissertation : University of Tartu, 2014

Published research project report or study (2.5.):

- **Kuldna**, P., K. **Peterson**, J. Senyagwa, S. Noel (2014). *Testing a methodology for reviewing national implementation of multilateral environmental agreements in Estonia and Tanzania*. Tallinn, Stockholm Environment Institute. ISBN 978-9949-9501-6-4 (pdf)
<http://sei-international.org/publications?pid=2648>
- Oikonomou, V., W. van der Gaast, A. Türk, C. Fruhmann [...] K. **Peterson** et al. (2014). *Understanding Policy Contexts and Stakeholder Behaviour for Consistent and Coherent Environmental Policies: A synthesis of results from the APRAISE project*. APRAISE. http://apraise.org/sites/default/files/apraise_synthesis_document_2.pdf
- **Jüssi** M., H. **Poltimäe**, H. Luts, P. Metspalu (2014) *Energiasäästupotentsiaal Eesti transpordis ja liikuvuses. Energiamaajanduse arengukava 2030+ taustauuring* [Energy saving potential in Estonian transport and mobility. Energy Sector Development plan 2030+ background study]. SEI Tallinn; Arengufond. <http://seit.ee/publications/4524.pdf>
- **Jüssi** M., M. Rannala (2014). *Energiamajanduse arengukava 2030+. Transpordi ja liikuvuse stsenaariumid* [Energy Sector Development plan 2030+. Scenarios of transport and mobility]. SEI Tallinn; Arengufond.



SEI Tallinn SA
Annual Report 2014

http://www.energiatalgud.ee/img_auth.php/4/4d/ENMAK_2030%2B_Transpordi_ja_liikuvuse_stsenaariumid.pdf

- **Moora, H.** (2014). *Tallinna linnas tekkivate olmejäätmete taaskasutamise tõhustamise uuring parimate praktikate näitel*. [Improving the recycling system of municipal waste in Tallinn on the examples of best practices]. Report. Tallinn, Stockholm Environment Institute Tallinn Centre. <http://www.seit.ee/publications/4530.pdf>, http://www.tallinn.ee/R4R_study_Tallinn
- **Moora, H.** (2014). *Olmejäätmete energiakasutuse tasu kehtestamise mõju hindamine*. [Evaluation of the socio-economic impact of the possible waste-to-energy tax/charge in Estonia]. Report. Tallinn, Stockholm Environment Institute Tallinn Centre. http://www.envir.ee/sites/default/files/energiakasutuse_tasu_moju_seit.pdf
- **Moora, H.** (2014). *Jäätmeveo reformi raames koostatud jäätmeseaduse muutmise seaduse rakendamise mõju hindamine*. [Evaluation of the environmental and socio-economic impact of planned municipal waste collection reform in Estonia]. Report. Tallinn, Stockholm Environment Institute Tallinn Centre. http://www.envir.ee/sites/default/files/jaats_moju_hinnang_seit_fin.pdf

Conference abstracts (5.2.):

- **Kuldna, P., K. Peterson, R. Kuhl-Thalfeldt** (2014). Exploring the influence of knowledge created with LEAP model in Strategic Environmental Assessment of Estonian energy policy. In: *3rd European Environmental Evaluators Network Forum 'Linking evaluation findings to enhancing sustainability'*, 28 – 29 April, 2014, Finnish Environment Institute, Helsinki, Finland. Power point presentation: <http://www.environmentalevaluators.net/2014-eeen-forum/>
- **Poltimäe, H., K. Peterson** (2014). The interlinkages between policy instruments for offshore wind production and nature conservation. In: *3rd European Environmental Evaluators Network Forum 'Linking evaluation findings to enhancing sustainability'*, 28 – 29 April, 2014, Finnish Environment Institute, Helsinki, Finland. Power point presentation: <http://www.environmentalevaluators.net/2014-eeen-forum/>

Popular science articles (6.3.):

- **Uustal, M.** (2014). Linnaökoloogia ja linnaelustiku kujundamine [Urban ecology and urban biodiversity design] In: Ingrid Hermet (ed.) *Keskkonnaülevaade 2013 [Estonian Environmental Review 2013]*. Tallinn, Vaba Maa. Pp. 138 - 141. ISSN 1736-3373
- **Uustal, M.** (2014). Kas jäätmaad on väärt maa? [Are the wastelands wasted lands?]. *Eesti Loodus*, no. 4: 8-12. http://www.eestiloodus.ee/arhiiv/Eesti_Loodus04_2014.pdf
- **Peterson, K.** (2014) Paatsalu laidude linnustikust [Birds of the Paatsalu Bay]. In: , Metsaorg, L., et al. (eds.) *Paatsalu 40 linnukevadet*. Tallinn, PrintBest. ISBN 9789949337002. Pp. 13-33.
- **Lahtvee, V.** (2014). Rohemajandus – ressursitõhus tulevikumudel [Green economy – a resource-efficient model for the future] In: *Eesti põlevloodusvarad ja –jäätmed 2014 [Estonian Combustible Natural Resources and Wastes 2014]*. Tallinn. AS Eesti Ajalehed. Pp.19–21. ISSN 1736-0315.

Other creative activities (6.7.):

- **Tuhkanen, H. ja S. Nõmmann** (2014). *Sotsiaalmajanduslike analüüside võimekuse tõstmine ja regionaalne koostöö Läänemere hea keskkonnaseisundi saavutamiseks*. SEI poliitikavaade. <http://www.seit.ee/et/publikatsioonid?id=4535>
- **Tuhkanen, H. and S. Nõmmann** (2014). *Good environmental status in the Baltic Sea through regional coordination and capacity building via economic and social analysis*. SEI policy brief. <http://www.sei-international.org/publications?pid=2605>
- **Kuldna, P., K. Peterson, J. Senyagwa, S. Noel** (2014). *Insights from testing new methodology for unified evaluation of multilateral environmental agreements*. Discussion Brief. <http://sei-international.org/publications?pid=2626>

Short publications in scholarly journals and books (6.8.):

- **Kask, Ü., S. Soosaar, L. Kask, L. Pache, I. T. Kallaste, A. Menert, M. Saaliste, V. Vohu** (2014). Laiendatud kokkuvõte [Extended summary]. In: Kask, Ü. (ed.) *Eesti tingimustesse sobivate biogaasi metaaniks puhastamise tehnoloogiate rakendatavus ning keskkonna ja majanduslikud mõjud*. Tallinn, Academic Publisher SGH. ISBN 9789949430765. Pp. 1-29.

 5

Input to policymaking

With our work we provide input into analysing problematic issues in society and finding alternative solutions both in Estonia and in the Baltic Sea Region as well as at the European level (see chapter Research Fields).

Policy processes in Estonia

Under the leadership of Dr. Moora, two studies were conducted evaluating the socio-economic impact resulting from the imposition of the proposed municipal waste energy usage fees and the environmental and socio-economic impact of planned municipal waste collection reform carried out under the government's action plan.

Dr. Kaja Peterson held the position of co-chairman for the Estonian Commission of Sustainable Development (SAK) for the period of two years (2013-2014). SAK organized thematic discussions (Integration Strategy, renewal of the National Reform Programme "Estonia 2020", process of Sustainable Development Goals – SDG, and national alcohol, drug and tobacco policy) with expert participants.

Work in commissions and working groups: SEI Tallinn experts share their expertise participating in various committees and working groups.

As a founding member of the Estonian Council of Environmental NGOs (EKO), SEI Tallinn contributes to the work of the following committees; Commission on Environmental Impact Assessment expert licences at the Ministry of the Environment, Commission for Sustainable Development at the Government Office, Energy Council of the Ministry for Economy and Communications, Monitoring Commission of Rural Development Plan (RDP) 2007-2013, Steering Committee of the RDP 2014-2020, Steering Committee and Monitoring Committee of the Transport Strategy 2014-2020, Steering Committee of National Oil Shale Development Plan 2016-2030. SEI Tallinn is also a founding board member of the Estonian Association for Environmental Management (EKJA). Through the hosting of the secretariat, we contribute to the development of environmental management of the companies belonging to the Association.

SEI Tallinn experts also belong to the Environmental Commission and City Management Commission of Tallinn City Council, the Environmental Education Steering Group of Environmental Board, the Environmental Commission and City Management Commission of Tallinn City Council, the Commission of Energy of the Estonian Academy of Sciences, and the National Energy Development Plan 2030+ expert group.

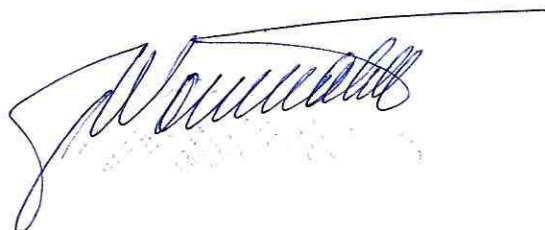
Participation in the compilation and evaluation of the policies and development plans: SEI Tallinn experts gave their assessments to the following national processes and documents - Environmental Impact Assessment Reports (TAK, ENMAK 2030+, PAK), Framework Plan for Environmental Charges; Framework of the National Climate Policy; and National Strategy for Climate Adaptation. Experts were involved in the compilation of the policy proposals and plans of EKO, including the Transport Development Plan (TAK) 2014-2020, the National Energy Development Plan (ENMAK) 2030+, National Oil Shale Development Plan 2016-2030, impact assessment of the national waste management policy and regulation.

Policy development processes in the Baltic Sea Region and EU

In 2014 SEI Tallinn participated through Harri Moora's attendance in several works of implementation assessments of the European Union policies / legislation requested by the European Commission. In collaboration with an international team led by BiPRO, the assessment of compliance of waste management plans of EU member states was conducted (*Assistance to the Commission on the assessment of Waste Management Plans and on compliance monitoring and support of the implementation of the Waste Framework Directive. Assessing the quality of waste management plans in EU member states*). In cooperation with adelphy Consult GmbH, the evaluation study of the implementation of the European Union environmental management system EMAS was carried out (*Supporting the evaluation of the implementation of the EU Eco-management and Audit Scheme (EMAS) Regulation 1221/2009, European Commission contract 070307/3013/667137/SER/ENV.A1*).

Valdur Lahtvee from SEI Tallinn has provided services for European Commission assessing ESI Funds operational programs implementation for period 2017-2013 and ex ante assessment of 2014-2020 OP-s relevance to the Community Climate Goals. He has also actively participated in policy dialogue between the European Commission and stakeholders on new policy initiatives either directly or through Environmental NGO networks like Green Budget Europe and Transport and Energy, etc.

SEI Tallinn experts Tea Nõmmann, Aljona Karlõseva and Sulev Nõmmann participated in the social and economic analysis working group set up for the implementation of the European Commission's Marine Strategy Framework Directive in order to exchange information and to harmonize the methods of compiling the programme of measures for the Estonian Maritime Strategy.



Trainings

The SEI Tallinn mission - to motivate sustainable change – makes it important to share knowledge with key stakeholders. In 2014 numerous trainings were conducted on themes such as impact assessment, environmental education, business and institutional ecological footprint reduction, as well as energy conservation. For example:

- Impact Assessment Training for public officials in November-December 2014 (Client - Government Office)
- Education for Sustainable Development – a series of training courses for teams of primary and gymnasium teachers and non-formal education specialists (Client - Environmental Board)
- Strategic Leadership towards Sustainability, lectures in Tallinn Technical University (Client - Tallinn Technical University, Department of Environmental Engineering)
- Reducing ecological footprint – training for SMEs (SEI Tallinn, financier Estonian Environmental Investment Centre)
- Promotion and implementation of Green Office scheme in Estonia - a series of training courses for businesses and public bodies (SEI Tallinn, financier Estonian Environmental Investment Centre)
- Coordination of Green Key and trainings in Estonia (Client - Enterprise Estonia (EAS))
- Conducting Energy Saving Workshops at regional environmental education conferences for teachers (Service for government authorities, Client - Environmental Board)
- Film clips competition jury (Design contest for the environmental education content film clips organized by the European Social Fund Program" Development of Environmental Education") (Client - Environmental Board)

OVERVIEW OF THE RESEARCH FIELDS

Environmental Management


Projects in 2014 contributed mainly to the sustainable consumption and production in Estonia and other countries in the Baltic Sea region. The majority of the programme activities were directed at the implementation of resource efficiency, sustainable waste management and integrated product policy (IPP) instruments including environmental management systems and environmental management tools. For example, the implementation of simple environmental management systems and the Green Office system were promoted as suitable for small businesses. The experts worked closely with the Estonian Association for Environmental Management, Enterprise Estonia and the Estonian Chamber of Commerce and Industry to educate and consult companies on environmental management issues.

SEI Tallinn experts actively participated in the Estonian waste management policy development and impact assessment of the related legislation. At the request of the Ministry of Environment SEI Tallinn conducted two studies - evaluation of the socio-economic impact resulting from the imposition of the proposed municipal waste energy usage fees and the environmental and socio-economic impact of planned municipal waste collection reform carried out under the government's action plan.

During an extensive research project, the amount of food waste generated in the Estonian food chain (households and catering providers) was analysed, including the amount of food wasted. In cooperation with Eesti Energia, the content of the biogenic material and the share of fossil CO₂ used as waste fuel in municipal waste in Estonia was analysed (*Determination of biomass and fossil carbon content in combustible municipal waste in Estonia*).

At the request of the Tallinn City the study „Improving the recycling system of municipal waste in Tallinn on the examples of best practices“ was carried out within the framework of the international waste project *Regional contribution to the European recycling community - R4R ("Regions for recycling")*, which has been the basis for development of both the Tallinn and other Estonian local governments waste management systems..

At the instigation of the Programme Director Harri Moora, several implementation assessments of the European Union policies / legislation were requested by the European Commission. These include for example, the participation in the assessment on compliance of waste management plans of EU member states (*Assistance to the Commission on the assessment of Waste Management Plans and on compliance monitoring and support of the implementation of the Waste Framework Directive. Assessing the quality of waste management plans in EU member states*), as well as the participation in the evaluation study on the implementation of the European Union environmental management system EMAS (*Supporting the evaluation of the implementation of the EU Eco-*

7


SEI Tallinn SA
Annual Report 2014

management and Audit Scheme (EMAS) Regulation 1221/2009, European Commission contract 070307/3013/667137/SER/ENV.A1).

Environmental Economics

A new project "Assessment and mapping of ecosystem services" started in the middle of 2014. The project's overall aim is to contribute to decrease of biodiversity loss in riverine habitats and of ecosystems in the European Union, supporting the preservation and restoration of ecosystems and their services in Estonia. In cooperation with partners the methodologies of mapping and assessing marine and inland water ecosystem services will be developed, the list of environmental indicators for monitoring ecosystem services will be compiled, monetary values of pilot water bodies will be found and recommendations for the assessment methods for ecosystem services will be worked out. The role of SEI Tallinn experts is the redundancy of the valuation methodology and the valuation on two case studies.

Another important new project is the Developing a Programme of Measures for the Estonian Marine Strategy, which is drawn up in cooperation with the Estonian Marine Institute of Tartu University and the Marine Systems Institute at Tallinn University of Technology. During the development of the programme of measures the cost-efficiency of the measures and the socio-economic impact of the programme of measures will be analysed. The programme of measures is necessary for Estonia to increase the ability to manage pressures in order to achieve or maintain good environmental status of marine waters.

Both of the above-mentioned works are financed by the European Economic Area (EEA) Grants 2009-2014 programme 'Integrated marine and inland water management'.

The work continued on the project "Measure What Matters", which is a global initiative aiming to bring greater alignment between business, national and global measures of 'success' towards the needs of people and planet. Led by GEC (Green Economy Coalition), the project brings together SEI (Stockholm Environment Institute), A4S (The Prince's Accounting for Sustainability Project), GRI (Global Reporting Initiative) and IIED (International Institute for Environment and Development). During 2014, SEI Tallinn experts participate in the project performing a gap analysis of indicators on water, infrastructure, and biodiversity. In cooperation with SEI York and Bangkok centres, the researchers carried out the SEI Programme Support funded project "New Approaches in Economic Modelling for Sustainable Development."

2 policy briefs were published (in Estonian and English) summarizing the results of the socio-economic analysis of the project GES-REG (Good Environmental Status through Regional Coordination and Capacity Building) which was completed in 2013.

Climate and Energy

Policy analysis with the greatest impact in 2014 was the Ex Ante evaluation of the ESI Funds National operational programmes and National Partnership Agreement's (2014-2020) relevance to the EU Climate Policy Goals for DG CLIMA of the European Commission.

With the support of the Environment Investment Centre a CO₂-emission Baseline Study of Estonian Electricity Production was prepared. SEI Tallinn experts participated in energy efficiency awareness raising events arranged in cooperation with EIC and the Nordic Council. Together with the Estonian Environmental Board, a series of energy saving trainings were carried out for school teachers.

Joint research, together with Nordic partners under the NORSTRAT project, continued with building the energy market development scenarios for 3 Baltic States and with assessment of the scenarios using the LEAP model.

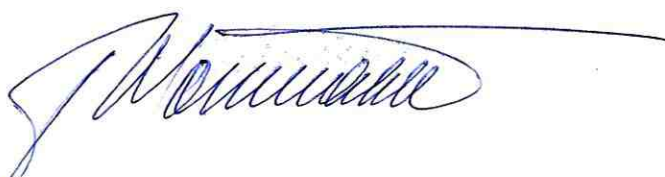
At the beginning of the 2014, the EC DG Environment published a study on Potential of Ecological Tax Reform in 12 EU Member States, where the Estonian analysis was carried out by the SEI Tallinn experts together with EUNOMIA, UK.

The Oil-shale Case Study was finalised as a contribution to the SEI PS (Programme Support) project Risks of and Responses to the New Fossil Fuel Economy lead by SEI US Centre.

Sustainability Measures

The work on this research field focuses mainly on introducing the principles of sustainable development; policy impact assessments; sustainable transport and mobility; and urban ecology.

One of the key results of 2014 can be considered the analyses of the consistency between the environmental policies (between the offshore wind farms and the Natura 2000 objectives) prepared under the coordination of SEI Tallinn in



SEI Tallinn SA Annual Report 2014

EU FP 7 project APRAISE (Assessment of Policy Impacts on Sustainability in Europe). Additionally, the work for the EU 7FP project LIAISE (Linking Impact Assessment Instruments and Sustainability Expertise) was finalised.

In 2014, SEI Tallinn experts analysed the energy efficiency and energy measures of the Energy Sector Development Plan 2030+ transportation sector and carried out a Natura ex-ante evaluation. The contribution to the Estonian long-term energy sector development plan was essential. The experts conducted the environmental impact assessment associated with the transport scenarios.

On the initiative of SEI Tallinn and in cooperation with the SEI Africa Centre experts, researchers tested a methodology for reviewing the effectiveness of multilateral environmental agreements in Estonia and Tanzania. The project was funded by the SEI Programme Support Fund. The results are summarised in a published report.

The top event of SEI Tallinn in 2014 - **'Sustainable Development Forum 2014: Blue economy in the vulnerable Baltic Sea'** - was successfully led by experts of the Sustainability Measures programme together with SEI Tallinn other colleagues.

SEI Tallinn experts also participated as members in several national level commissions and in the commissions of the Tallinn city government council; and analysed the environmental impact of various draft legislations.

At the request of the Government Office the experts also conducted the impact assessment training for 50 public officials. Many primary and secondary school teachers were trained during the series of training courses of Education for Sustainable Development.

ORGANISATION

Management

The daily activities of SEI Tallinn are coordinated by a single-member Management Board (Director Tea Nõmmann). The Management Board is supervised by the SEI Tallinn three-member Supervisory Board. At the time of the annual report approval in January 2015, there are three members on the SEI Tallinn Supervisory Board: Jakob Granit, Linnar Viik and Erik Puura. Members of the Supervisory Board are appointed by the founder, Stockholm Environment Institute.

Belonging to the SEI international network SEI Tallinn follows the SEI strategy and policies, and staff is involved in the management and operation.

The Director Tea Nõmmann is a member of the SEI Management Team (MT), which consists of all Centre Directors and other Directors. MT is a decision making body in terms of SEI Wide policies and strategies.

Dr. Kaja Peterson, the Program Director of SEI Tallinn is a member of SEI research leadership group (Theme Leadership - TL) and a co-leader of SEI research theme 4 - Rethinking development. SEI-wide seminar for development of the theme was prepared and carried out by Theme Leadership. TL members also evaluate SEI innovative project ideas funded by SEI.

Tiina Salumäe, communications expert participates in the SEI international communications team and publications publishing teamwork.

Küllli Freimann manages and coordinates the Institute's performance monitoring system (Planning, Monitoring, Evaluation and Communication - PMEC) in SEI Tallinn.


Research Management

The Stockholm Environment Institute Strategy 2010-2014 focused on four main research themes:

- 1) Theme 1: Managing environmental systems for human development
- 2) Theme 2: Reducing climate risk
- 3) Theme 3: Transforming governance for sustainable livelihoods
- 4) Theme 4: Rethinking development

The SEI Tallinn research foci are in line with SEI strategic themes. Operational research work in SEI Tallinn is carried out in four programs. SEI research themes are divided by SEI Tallinn programs as follows:

- 1) Sustainability Measures (SM) Program contributes to the SEI themes 1, 2, 3, 4



9

**SEI Tallinn SA
Annual Report 2014**

- 2) Environmental Management (EM) Program contributes to the SEI themes 3, 4
- 3) Climate and Energy (CEA) Program contributes to the SEI theme 2, 4
- 4) Environmental Economics and Accounting (EEA) Program contributes to the SEI theme 1 and 4

SEI Wide Cooperation: SEI Science Forums are held once a year and it is a great opportunity for researchers and experts from different centres to meet. From SEI Tallinn 7 colleagues participated in 2014.

Kaja Peterson and Piret Kuldna cooperated with the SEI Africa Centre for researching the effectiveness in implementation of UN multilateral environmental agreements and preparation of reports summarising the results and discussions.

Valdur Lahtvee participated with the SEI US Centre in the study researching the impacts to the international climate policy goals of the global deployment of non-conventional fuels.

Dr Evelin Urbel-Piirsalu attended the opening event of the SEI York Centre GreenEcoNet project and developed a number of Estonian solutions for the platform.

Sulev Nõmmann participated in the development meetings of NeoGeo initiative; Source to Sea platform, Transboundary Water Management in the SEB Region project.

Aljona Karlõseva participated in collaboration with SEI York and Bangkok Centre researchers in the project "New Approaches in Economic Modelling for Sustainable Development".

Heidi Tuhkanen attended the SEI research theme Managing Environmental Systems –MES development meeting in York and cooperated with SEI York and SEI Stockholm in the Measure What Matters project.

In 2014 SEI Tallinn cooperated with the following SEI network centres: SEI Africa; SEI York; SEI Stockholm; SEI US; SEI Asia.

Communication

In 2014, SEI Tallinn had a part-time communications expert. Quantitatively measured, over 50% more press releases about SEI Tallinn activities were created and uploaded to the website than the previous year and there was a third more media coverage. At the end of the year, the first quarterly newsletter of SEI Tallinn was launched. It communicates to the people on the registration based email list, a summary of the main news and publications of the period.

Tallinn centre is using the SEI visual identity and the classification of publications in communication. In 2014 six project reports and policy briefs bearing the SEI visual identity were published in order to better communicate research outcomes to policy-makers and other stakeholders.

One of the objectives of the next strategy period is to contribute to the improvement of the researchers' communication skills (trainings) and to fully develop the so-called peer-review system, which will further increase the quality and reliability of work.

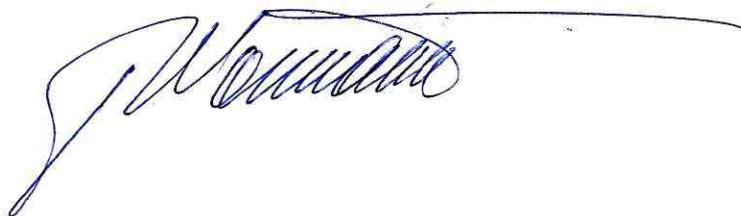
Employees

The main asset of SEI Tallinn is its employees. As of 31.12.2014, the number of employees is 21, two of which are on parental leave. The full time equivalent of employees as of 31.12.2014 was 16. There were no changes in the composition of the staff in 2014.

During 2014, SEI Tallinn had an increase in the number of colleagues with doctoral degrees.

Helen Poltimäe defended her doctoral dissertation on the topic „The distributional and behavioural effects of Estonian environmental taxes“ in the Faculty of Economics and Business Administration at University of Tartu on June 4th 2014.

Currently, there are a total of seven experts in SEI Tallinn with doctoral degrees and eleven with master's degrees, one of which is participating in a doctoral programme. The qualification and self-development are important for the Institute. In 2014, the support for participation of employees at scientific conferences and international courses was continued through the SEI Tallinn Training Fund.



**SEI Tallinn SA
Annual Report 2014**

The employees' satisfaction with their work and work environment is also important, and therefore, for the first time, the Stockholm Environment Institute carried out the staff satisfaction survey through all the centres. The results were analysed in all the SEI centres and the key issues were identified.

Labor costs with social insurance payments comprised a total of 412 181 Euros (472 712 Euros in 2013), including fees paid to Board members. Social insurance payments totalled 52 800 Euros in 2014 (53 893 Euros in 2013).

Environmental Management and the welfare of employees

The aim of SEI Tallinn's environmental policy is to 'walk our talk' and to undertake its activities as sustainably as possible to minimize its negative environmental impacts. The financial accounting system of SEI Tallinn (Directo) has been developed so that environmental impacts are monitored on an ongoing basis. SEI Tallinn is monitoring the following environmental parameters annually:

- **Energy consumption** (heating, electricity) - The electricity consumption in SEI Tallinn office and seminar room totalled 61,040 kWh. Since 2012, the SEI Tallinn purchases green energy, which means that the CO2 emission from energy consumption is 0.
- **Business travel (air travel) CO2 formation** - The SEI Tallinn business-related air travel in 2014 was approximately 109 125 passenger-km resulting in approximately 26,0 MT of CO2 emissions
- **Paper consumption** - The amount of eco-label printer paper purchased at SEIT in 2014 was 70 packages, i.e. 35 000 sheets.
- **Water consumption** – water consumed in SEI Tallinn office rooms in 2014 totalled 34m³.

The table below shows the comparison of environmental indicators over the past three years.

Table 1. Comparison of environmental indicators 2012-2014

Year	Energy consumption		CO2emission from air travel		Paper consumption		Water consumption	
	kWh/y	t/y	t/y	t/per employee /y	A4 sheets/y	A4 sheets/ per employee /y	m3/y	m3/ per employee /y
2012	69 058	33,6	33,6	2,0	60 000	3529	51	3,0
2013	60 724	33,3	33,3	2,5	30 000	2247	46	3,4
2014	61 040	26,0	26,0	1,8	35 000	2789	34	2,7

SEI Tallinn's main environmental impacts are caused by the electricity used to heat the office and supply the IT equipment, as well as the business related air travel necessary for many of the international projects.

The well-being of employees is ensured, in addition to good and interesting work, by the pleasant working environment and health. SEI Tallinn takes care of their employees' health by organising regular health checks and supporting the staff health prevention annually. In 2014 also the physical environment of the Institute was improved through the renovation and renewal of several common premises, bringing freshness and colour into the working environment.

Funding

2014 was financially a year of great challenge for SEI Tallinn. In recent years, a significant part of funding has come from various European Commission funding programs (Interreg, Horizon, etc.). As 2014 was so-called gap-year in EU funding programs, i.e., the funding within the preceding period had ended and the funding round of the beginning period was not open yet, the finding decline was foreseen. The fiscal year 2014 ended with break-even result, though total volume of revenue decreased about 25% compared to 2013. Fiscal year 2014 totalled 554 thousand Euros.

The analysis of the funding sources shows that in 2014 the biggest financiers of SEI Tallinn were the Stockholm Environment Institute (core funding and project co-funding), the Estonian Environmental Research Center, the Estonian Ministry of Environment and the Estonian Environmental Investment Centre.

SEI Tallinn's public interest driven research, development and capacity building activities are financed by different sources. SEI Tallinn's income originates largely (over 50%) from public sector institutions (Estonian government and

SEI Tallinn SA
Annual Report 2014

municipal institutions and other public sector organisations, as well as public sector institutions of the EU and other member states). The following table provides an overview of the institute's financial sources.

Table2. SEI Tallinn funding sources (%) 2008-2014

Funding sources (% of total annual revenues)	2014	2013	2012	2011	2010	2009	2008
European Commission	15	35	44	43	47	30	27
Other International Organizations	24	26	14	11	10	16	19
EEA	11	0	0	0	0	0	0
Estonian Universities	1	1	2	1	1	1	1
Estonian Non-Governmental sector	8	5	4	2	5	4	4
Estonian Private Sector	1	2	6	3	1	7	6
Estonian Government Sector	20	18	20	27	21	25	25
Core Fund	20	13	10	13	15	17	18
TOTAL	100	100	100	100	100	100	100
EUR thousand	554	777	807	646	588	520	578

Main financers 2014:

- Stockholm Environment Institute (SEI)
- Estonian Environmental Research Centre (KUK)
- Estonian Ministry of Environment (KKM)
- Estonian Environmental Investment Centre (KIK)
- Joint Implementation Network (JIN)
- Estonian Development Fund (EAF)
- Istituto di Studi per l'Integrazione dei Sistemi (ISIS)
- Alterra, The Netherlands
- Tallinn City Environment Department
- SINTEF Energy, Norway
- Peipsi Center for Transboundary Cooperation
- BiPRO GmbH, Germany
- The University of York, Stockholm Environment Institute - York
- COWI A/S, Denmark
- Enterprise Estonia (EAS)

Proposals and tenders

Altogether **26 proposals/tenders** were submitted in 2014 for various research and development funding schemes and public tenders. Positive decisions were made in 12 cases (46%). Almost half of the proposals were submitted to international funding schemes (EU BONUS, Horizon 2020, ERASMUS+, Norwegian Financial Mechanism, Nordic Council of Ministers, Clean Europe Network / European Litter Prevention Association) and half of the proposals to either Estonian funders (KIK) or tenders (e.g. Ministry of Environment, Government Office, Environmental Research Centre, Environmental Board and the companies).

Partners in cooperation projects 2014

Estonian:

- National Audit Office of Estonia
- Peipsi Center for Transboundary Cooperation
- Marine Systems Institute at Tallinn University of Technology
- Tallinn School of Economics and Business Administration, TTU
- Tallinn Technical University, Department of Environmental Engineering
- Department of Thermal Engineering, TTU
- Tallinn University, Institute of Ecology
- Estonian Marine Institute of Tartu University
- Estonian University of Life Sciences
- Estonian Environment Agency
- Estonian Environmental Research Centre
- Estonian Academy of Arts
- AF Estivo
- Kami OÜ
- AF Consulting AS

**SEI Tallinn SA
Annual Report 2014**

International:

- | | |
|---|---|
| <p><u>Austria:</u></p> <ul style="list-style-type: none"> - Joanneum Research - Austrian Academy of Sciences, Vienna Institute of Demography (OEAW-VID) <p><u>Belgium:</u></p> <ul style="list-style-type: none"> - Centre for European Policy Studies (CEPS) <p><u>Spain:</u></p> <ul style="list-style-type: none"> - Basque Centre for Climate Protection – Klima Aoldaketa Ikergai (BC3) <p><u>Netherlands:</u></p> <ul style="list-style-type: none"> - Alterra - Joint Implementation Network - The Hague Institute for the Internationalisation of Law (Hiil) - Stichting NHL - Wageningen University | <p><u>Italy:</u></p> <ul style="list-style-type: none"> - Istituto di Studi per l'Integrazione dei Sistemi (ISIS) <p><u>Cyprus:</u></p> <ul style="list-style-type: none"> - Cyprus University of Technology <p><u>Luksemburg:</u></p> <ul style="list-style-type: none"> - Spatial Foresight GmbH (S4S) <p><u>Germany:</u></p> <ul style="list-style-type: none"> - FGM-Amor - Fraunhofer ISI - Rupperecht Consult - Freie Universität Berlin (FUB) <p><u>Finland:</u></p> <ul style="list-style-type: none"> - Finnish Environment Institute (SYKE) <p><u>Denmark:</u></p> <ul style="list-style-type: none"> - Aalborg University |
|---|---|

Overview of the works and customers/funders in 2014

Table 3. SEI Tallinn works and financers 2014

No	Project	Customer/Financer
CLIMATE AND ENERGY		
1	Construction of electricity sector GHG baseline	Estonian Environmental Investment Centre
2	Risks of, and responses to, the new fossil fuel economy/Uue fossiilkütuste majanduse riskid	SEI US / SEI Programme Support (SIDA)
3	Nordic power road map 2050: Strategic choices towards carbon neutrality	SINTEF Energia AS / Nordic Energy Research
4	Assessment of Potential for Ecological Fiscal Reform (Information on Estonian Environmental Charges)	Eunomia Research and Consulting Limited / European Commission, DG Environment
5	Conducting Energy Saving Workshops at regional environmental education conferences for teachers	Environmental Board / European Social Fund
6	Mainstreaming Climate Change into CSF-Funds 2014-2020. State of Play Country Report - Estonia	COWI A/S, Denmark / European Commission, DG Climate Action
ENVIRONMENTAL ECONOMICS		
7	New Approaches in Economic Modelling for Sustainable Development	SEI York / SEI Programme Support
8	Development of methods for assessment and mapping of ecosystem services of marine and inland waters	Ministry of the Environment; project coordinator Peipsi Center for Transboundary Cooperation / EEA Grants (Integrated Marine and Inland Water Management)
9	Good Environmental Status through Regional Coordination and Capacity Building	Marine Systems Institute at Tallinn University of Technology (project coordinator) / Interreg Central Baltic



10	Measure What Matters	SEI York / Mava Foundation
11	Developing a Programme of Measures for the Estonian Marine Strategy	Estonian Environmental Research Centre / EEA Grants (Integrated Marine and Inland Water Management)
ENVIRONMENTAL MANAGEMENT		
12	Strategic Leadership towards Sustainability, TTU lectures	Tallinn Technical University, Department of Environmental Engineering
13	Quality Assurance control report of Estonian GHG 2014 annual inventory and inventory report, incl. the field of waste management	Estonian Environmental Research Centre
14	Evaluation of the municipal waste management system of Tallinn City	Tallinn City Government, Environmental Board
15	Narva Waste Management Plan	Narva City Government, Department for Architecture and City Plan
16	Assistance to the Commission on the assessment of Waste Management Plans and on compliance monitoring and support of the implementation of the Waste Framework Directive	BiPRO GmbH / European Commission
17	Food spill study in households and catering facilities	Ministry of the Environment
18	Determination of biomass and fossil carbon content in combustible municipal waste in Estonia	Estonian Energy Ltd
19	Evaluation of the socio-economic impact of the possible waste-to-energy tax/charge in Estonia	Estonian Ministry of Environment
20	Evaluation of the environmental and socio-economic impact of planned municipal waste collection reform in Estonia	Estonian Ministry of Environment
21	Reducing ecological footprint of SMEs	Estonian Environmental Investment Centre
22	Evaluation of the Implementation of the EU Eco-Management & Audit Scheme (EMAS) Reg 1221/ 2009	Adelphy Consult GmgH, Germany
23	Connecting SMEs for a green economy	SEI YORK / European Commission FP7 Environment
24	Implementing Green Office in Estonian Investment Centre	Estonian Environmental Investment Centre
25	Coordination of Green Key in Estonia	Enterprise Estonia (EAS) / European Social Fund
26	Promotion and implementation of Green Office scheme in Estonia	Estonian Environmental Investment Centre
27	Assistance of the Estonian Association for Environmental Management	Estonian Association for Environmental Management
28	Sustainable innovation labs - Developing innovation platforms for the benefit of sustainable and socially responsible growth	Foundation for Society / ERASMUS+

SUSTAINABILITY MEASURES		
29	Education for Sustainable Development – series of training courses for teams of primary and gymnasium teachers and non-formal education specialists	Tallinn University, Institute of Ecology / Environmental Board
30	EU-wide establishment of enduring national and European support networks for sustainable urban mobility/ENDURANCE	EPOMM - European Platform on Mobility Management (project coordinator) / European Commission, IEE Intelligent Energy Europe
31	Transport scenarios of the National Energy Development Plan 2030	Estonian Development Fund / European Social Fund
32	Film clips jury ("The Environmental Board, Program" Development of Environmental Education ")	Environmental Board
33	Strategic Environmental Assessment of National Energy Development Plan 2030	Estonian Development Fund
34	Bridging global to national goals of sustainability: operational testing of the SEI methodology on effectiveness in implementation of UN multilateral environmental agreements	SEI Programme Support / UNEP Division of Environmental Law&Conventions
35	Sustainable Development Forum 2014	Estonian Environmental Investment Centre; Government Office
36	Impact Assessment Training for public officials	Government Office
37	Council of Environmental NGOs, Estonia	Estonian Ministry of Environment
38	Terms of Reference for Tallinn travel survey for Tallinn Transport Department	Tallinn City Transport Department
39	Linking Impact Assessment Instruments to Sustainability Expertise	ALTERRA, Wageningen UR / European Commission, FP7 Research & Development
40	Assessment of Policy Interrelationships and Impacts on Sustainability in Europe	Joint Implementation Network (JIN), Netherlands / European Commission, FP7 Research & Development
41	Forward Looking Analysis of Grand Societal Challenges and Innovative Policies	(ISIS), Italy / European Commission, FP7 Socio-Economic Sciences and Humanities

SEI TALLINN OBJECTIVES FOR 2015

In 2015 SEI Tallinn shall continue its ongoing work and further development of its competence in the field of analysing policy impact on sustainable development, environmental management, climate and energy research, as well as environmental economics.

Our goal in 2015 is the implementation of the global cross-SEI organization strategy (2015-2019). Since several rounds of the various EU funding program calls will be open in 2015, an important objective is the preparation of societally important, value-adding, and successful applications for international funding, and the development of successful project teams. A number of applications are under preparation for the programmes Horizon 2020, INTERREG Baltic Sea Region and Central Baltic.

In 2015 new projects financed by the EU and the EEA (BONUS Go4Baltic EEA ENFRA, EEA BioClim) will start. The EU FP7 project Flagship will be completed.

At the time of the annual report compilation in January 2014 there are about **17** projects in process.

International projects:

1. FP7 FLAGSHIP - Forward Looking Analysis of Grand Societal Challenges and Innovative Policies
2. IEE ENDURANCE – EU-wide establishment of enduring national and European support networks for sustainable urban mobility
3. BONUS Go4Baltic - Coherent policies and governance of the Baltic Sea Ecosystems
4. NORSTRAT - Nordic power road map 2050: Strategic choices towards carbon neutrality
5. Mainstreaming Climate Change into CSF-Funds 2014-2020. State of Play Country Report - Estonia
6. Sustainable innovation labs - Developing innovation platforms for the benefit of sustainable and socially responsible growth
7. Source to Sea platform - compilation of the background paper for the UN *Global Environment Facility*'s (GEF) in cooperation with SIWI

National projects:

1. ENFRA – Estonian National Climate Adaptation Strategy for Infrastructure and Energy
2. BioClim – Climate change adaptation strategy and measures for thematic fields of natural environment and bioeconomy
3. Developing a Programme of Measures for the Estonian Marine Strategy
4. Development of methods for assessment and mapping of ecosystem services of marine and inland waters
5. Determination of biomass and fossil carbon content in combustible municipal waste in Estonia
6. Reducing ecological footprint of SMEs
7. Coordination of Green Key in Estonia
8. Promotion and implementation of Green Office scheme in Estonia

SEI projects:

1. Measure What Matters
2. GreenEcoNet - Connecting SMEs for a green economy



Tea Nõmmann
Director

The Financial Statements

Balance sheet

(in euros)

	31.12.2014	31.12.2013	Note
Assets			
Current assets			
Cash	233,739	160,018	2
Receivables and prepayments	199,958	282,881	3
Total current assets	433,697	442,899	
Non-current assets			
Property, plant and equipment	13,160	8,507	5
Total non-current assets	13,160	8,507	
Total assets	446,857	451,406	
Liabilities and net assets			
Liabilities			
Current liabilities			
Payables and prepayments	223,804	230,744	7
Total current liabilities	223,804	230,744	
Total liabilities	223,804	230,744	
Net assets			
Endowments/Issued capital	87,151	87,151	
Reserves	15,973	17,843	
Accumulated income	115,668	107,507	
Net profit/loss for the accounting period	4,261	8,161	
Total net assets	223,053	220,662	
Total liabilities and net assets	446,857	451,406	



Statement of activities

(in euros)

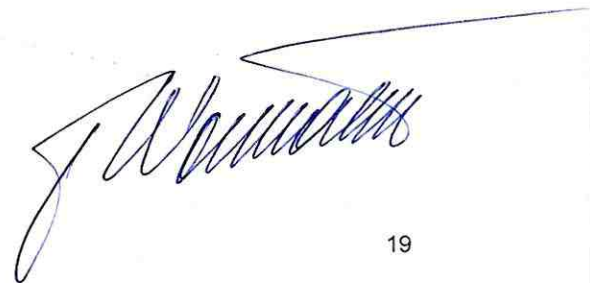
	2014	2013	Note
Revenue			
Donations and grants	363,721	615,620	8
Revenue from business activities	191,688	160,049	9
Other income	0	1,281	
Total revenue	555,409	776,950	
Expenses			
Miscellaneous operating expenses	-130,581	-282,516	10
Labour expense	-415,966	-482,349	11
Depreciation and impairment of non-current assets	-3,900	-4,268	5
Other expense	-999	-184	
Total expenses	-551,446	-769,317	
Income from main activities	3,963	7,633	
Other financial income and expenses	298	528	
Net profit/loss for the accounting period	4,261	8,161	



Statement of cash flows

(in euros)

	2014	2013	Note
Cash flows from operating activities			
Operating result	3,963	7,633	
Adjustments			
Depreciation and impairment of non-current assets	3,900	4,268	5
Total adjustments	3,900	4,268	
Changes in receivables and prepayments related to operating activities	82,923	120,966	
Changes in liabilities and prepayments related to operating activities	-8,819	-35,113	
Total cash flows from operating activities	81,967	97,754	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-8,553	-3,810	5
Interest received	15	7	
Total cash flows from investing activities	-8,538	-3,803	
Total cash flows	73,429	93,951	
Cash and cash equivalents at beginning of period	160,018	65,531	2
Changes in cash and cash equivalents	73,429	93,951	
Effect of exchange rate changes	292	536	
Cash and cash equivalents at end of period	233,739	160,018	2



Statement of changes in net assets

(in euros)

				Total net assets
	Endowments/ Issued capital	Reserves	Accumulated income	
31.12.2012	87,151	14,952	107,507	209,610
Net profit/loss for the accounting period	0	0	8,161	8,161
Changes in reserves	0	2,891	0	2,891
31.12.2013	87,151	17,843	115,668	220,662
Net profit/loss for the accounting period	0	0	4,261	4,261
Changes in reserves	0	-1,870	0	-1,870
31.12.2014	87,151	15,973	119,929	223,053

As of 31.12.2014 the reserve fund under the net assets comprises the training fund in amount of 5,927 euros (2013: 7,797) and development fund in amount of 10,046 euros (2013: 10,046).

Notes to the Financial Statements

Note 1 Accounting policies

General information

The financial statements of SEI Tallinn SA (hereinafter „the Company“) have been prepared in accordance with the Generally Accepted Accounting Principles of Estonia and utilizing the acquisition cost model, unless otherwise specified in the accounting policies below. The Estonian Generally Accepted Accounting Principles are based on internationally acknowledged accounting principles, whose main requirements are stipulated in the Accounting Act of the Republic of Estonia and supplemented by the guidelines issued by the Accounting Standards Board.

The financial statements have been prepared in euros, unless otherwise specified.

Cash

Cash and cash equivalents in the statement of cash flows comprise short-term (up to 3 months) highly liquid investments that can be converted into a known amount of cash and that do not involve any significant risk of market value change, incl. cash in hand and on bank accounts, fixed-term deposits of up to 3 months and shares of interest market fund.

Foreign currency transactions and financial assets and liabilities denominated in foreign currencies

Foreign currency transactions have been reported based on rates of the European Central Bank on the transaction date. Monetary assets and liabilities denominated in foreign currencies have been translated into euros based on the exchange rates of the European Central Bank officially valid on the balance sheet date.

Profits and losses from foreign currency transactions are recorded in the statement of activities of the reporting period.

Receivables and prepayments

All receivables (e.g. accounts receivable, accrued income, granted loans and other short-term and long-term receivables), except receivables acquired for resale, are generally reflected at adjusted cost in the balance sheet.

The adjusted cost of short-term receivables is generally equal to their nominal value (less possible discounts) due to which the short-term receivables are reflected at their estimated collectible amounts (reflected for example in the invoice, contract or any other source document) in the balance sheet.

Property, plant and equipment and intangible assets

Assets whose acquisition cost exceeds 320 euros and useful life exceeds one year are accounted for as property, plant and equipment. Items with a useful life of over one year, but whose acquisition cost is below 320 euros, are classified as low-value items until taken into use and are fully expensed when the asset is taken into use. Expensed low-value assets are accounted for off the balance sheet.

Items of property, plant and equipment are initially recognised at their acquisition cost, which comprises the purchase price and any costs directly attributable to the acquisition.

After recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and possible accumulated impairment losses.

If an item of property, plant and equipment consists of separately identifiable parts which have different useful lives, the parts are accounted for as separate asset items and are assigned depreciation rates which correspond to their useful lives.

Subsequent costs related to an item of property, plant and equipment, such as the costs of replacing part of it, are recognised in the carrying amount of the item if the following conditions are met:



21

(a) it is probable that there are future economic benefits associated with the costs, and (b) these costs can be measured reliably. The carrying amount of the parts which are replaced is derecognised. All other costs related to property, plant and equipment are recognised as an incurred expense over the period when the respective expense occurred.

Items of property, plant and equipment are depreciated using the straight-line method. Each item is assigned a depreciation rate which corresponds to its useful life.

Items of property, plant and equipment are depreciated until their residual value exceeds their carrying amount. The residual value of an asset is the amount that the company would currently obtain from disposal of the asset, if the asset were already of the age and in the condition expected at the end of its useful life.

The depreciation methods, depreciation rates and residual values of property, plant and equipment are reviewed at least at the end of each financial year and, if expectations differ from previous estimates, the changes are recognised prospectively.

The company assesses the carrying amount of an item of property, plant and equipment should any circumstances indicate that an asset may be impaired. Upon the presence of such circumstances the company shall conduct an assessment of the impairment. If the carrying amount of an asset exceeds its estimated recoverable amount, the asset or the cash-generating unit to which the asset belongs is written down to its recoverable amount. The recoverable amount of an asset is the current value of estimated cash flows (value in use) to be derived from the asset or the fair value of the asset, less selling costs, depending on which of these values is higher. Where necessary, the fair value of an asset is determined with the assistance of independent experts. Impairment losses on assets are recognised in the statement of activities as "Depreciation and impairment of non-current assets".

If there is any indication that the recoverable amount of an asset exceeds the carrying amount, the impairment loss recognised in prior periods is reversed and the carrying amount of the asset is increased; however, the amount attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined had no impairment loss been previously recognised for the asset. A reversal of an impairment loss is recognised in the statement of activities as a reduction of the expense in which the original impairment loss was recognised.

The carrying amount of an item of property, plant and equipment is derecognised when the item is disposed of or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included as other operating income or other operating expenses in the statement of activities of the period in which the item is derecognised.

Minimal acquisition cost 320

Useful life of non-current assets (in years)

Asset group	Useful life
Other property, plant and equipment	3-5
Furniture	10

Leases

The lease transactions where all material risks and rewards related to the ownership of the assets are transferred to the lessee are recorded as finance leases. All other leases are classified as operating leases.

Assets leased under finance lease terms are recorded at the lower of acquisition cost of the leased property or the present value of the minimum lease payments in the balance sheet of the lessee. Assets acquired with a finance lease are depreciated over the shorter of the lease term and its useful life. Assets leased out under a finance lease are recognised in the balance sheet of the lessor and presented as receivables at an amount equal to the net investment in the lease. Lease payments are divided into financial income/expense and payment of lease liability/receivable so that the interest rate would remain the same over the period.



In the case of operating leases, the leased assets are carried in the balance sheet of the lessor. Operating lease payments are recognised as lessor's income and lessee's expense on a straight-line basis over the lease period.

Financial liabilities

Financial liabilities are recognised initially at their acquisition cost, which is the fair value of the remuneration received for the financial liability. After initial recognition, financial liabilities are measured at an adjusted acquisition cost based on an effective interest rate. Transaction costs are taken into consideration upon calculating the effective interest rate, and charged to expenses over the term of the financial liability. Financial liabilities acquired for resale are measured at their fair value and any changes in the fair value are recorded in the statement of activities. Interest expenses related to the financial liability are recognised as an expense when incurred and presented in the statement of activities as financial income and expenses. Financial liabilities are derecognised when the obligations have been discharged, cancelled or expire.

Donations and grants

Accounting for received donations and grants (incl. receipts for specific purposes) is based on the following principles:

- (a) donations and grants not designated for a specific purpose are recognised as income when the donation/grant becomes available;
- (b) donations and grants designated for specific purposes are recognised as income when the donation/grant becomes available and the accompanying conditions are met.

Revenue

Revenue of SEI Tallinn is based on three different financing principles: core funding, project funding and business revenue.

- *SEI core funding* is project funding by the Stockholm Environment Institute (SEI), which mainly covers SEI-Tallinn's general administrative expenses.
- *Other project funding* is used to cover operating expenses of specific projects funded by the donor. These funds are reported in the balance sheet as liabilities (prepayments) and as revenue in the amount of the project's expenses during the period or depending on the proportion of execution.
- *Business revenue* comprises all other revenue (sale of different services, sale of books etc.) and work performed outside project funding e.g. revenue from projects related to conducting environmental audits and consultations on integrated environmental permits etc. In addition, competitive trainings (e.g. ISO standards, environmental management etc.) are also reflected in this section.

Revenue from the sale of services is reflected upon the rendering of services.

Interest income is recognised on accrual basis using internal interest rates. Income from dividends is recognised when the right of claim occurs.

Expenses

Expenses are recognised in the same period as the income related to them. Expenses, which are likely to be used for earning economic profit in future, are reflected as assets when they arise and are reflected as expenses during the period(s) they give profit (e.g. costs of property, plant and equipment). Expenses, which are used for creating income during the accounting period or are not used for creating income, are reflected as expenses in the period when they occur.

Related parties

In preparing the annual report of SEI Tallinn SA, related parties are owners, chief management, supervisory board members, close family members of the above mentioned individuals and enterprises under their control or material influence.

According to the assessment of the company management, the prices used in transactions with related parties do not considerably differ from market prices.



23

Note 2 Cash

(in euros)

	31.12.2014	31.12.2013
Settlement accounts	233,739	160,018
Total cash	233,739	160,018

Note 3 Receivables and prepayments

(in euros)

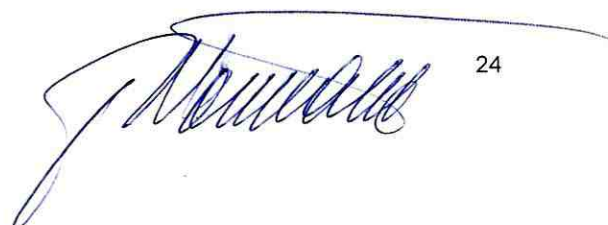
	31.12.2014	Within 12 months	Note
Accounts receivable	198,502	198,502	
Accounts receivable	198,502	198,502	
Tax prepayments and receivables	113	113	4
Prepayments	1,343	1,343	
Deferred expenses	1,328	1,328	
Other paid prepayments	15	15	
Total receivables and prepayments	199,958	199,958	
	31.12.2013	Within 12 months	Note
Accounts receivable	270,918	270,918	
Accounts receivable	270,918	270,918	
Tax prepayments and receivables	8,837	8,837	4
Prepayments	3,126	3,126	
Deferred expenses	2,996	2,996	
Other paid prepayments	130	130	
Total receivables and prepayments	282,881	282,881	

Note 4 Tax prepayments and liabilities

(in euros)

	31.12.2014		31.12.2013	
	Prepayment	Liability	Prepayment	Liability
Value added tax	0	9,954	0	5,701
Personal income tax	0	4,419	0	5,054
Income tax on fringe benefits	0	659	0	671
Social tax	0	9,029	0	9,963
Contributions to mandatory funded pension	0	388	0	405
Unemployment insurance tax	0	696	0	790
Other tax prepayments and liabilities	13	720	821	0
Prepayment account balance	100		8,016	
Total tax prepayments and liabilities	113	25,865	8,837	22,584

See Notes 3 and 7.



Note 5 Property, plant and equipment

(in euros)

	Computers and computer systems	Machinery and equipment	Other property, plant and equipment	Total
31.12.2012				
Acquisition cost	26,984	26,984	45,109	72,093
Accumulated depreciation	-18,549	-18,549	-44,579	-63,128
Residual cost	8,435	8,435	530	8,965
Acquisitions and additions	3,810	3,810	0	3,810
Other acquisitions and additions	3,810	3,810	0	3,810
Depreciation	-3,738	-3,738	-530	-4,268
31.12.2013				
Acquisition cost	23,253	23,253	45,109	68,362
Accumulated depreciation	-14,746	-14,746	-45,109	-59,855
Residual cost	8,507	8,507	0	8,507
Acquisitions and additions	880	880	7,673	8,553
Other acquisitions and additions	880	880	7,673	8,553
Depreciation	-3,728	-3,728	-172	-3,900
31.12.2014				
Acquisition cost	22,967	22,967	51,251	74,218
Accumulated depreciation	-17,308	-17,308	-43,750	-61,058
Residual cost	5,659	5,659	7,501	13,160

Note 6 Operating lease

(in euros)

Accounting entity as lessee

	2014	2013
Operating lease expense	22,183	23,369
Future operating lease expense under non-cancellable lease contracts		
	31.12.2014	31.12.2013
within 12 months	15,925	22,183
within 1-5 years	0	15,925

Operating lease expense comprises the lease for office space and operating leases of cars. The term of the lease contract for office space ends on 01.08.2018.



Lease fee is increased once a year in accordance with changes in the consumer price index.

The due dates of operating lease obligations related to cars are in 2015 and the interest rate is bound to a 6-month Euribor rate, to which the lessor's margin 3.3-3.5% is added. All lease contracts are cancellable contracts. Upon the cancellation of a lease contract the lessee is obligated to fulfil all obligations arising from the operating lease contract.

Note 7 Payables and prepayments

(in euros)

	31.12.2014	within 12 months	Note
Supplier payables	43,406	43,406	
Employee payables	13,380	13,380	
Tax payables	25,865	25,865	4
Other payables	460	460	
Other accrued expenses	460	460	
Prepayments received	140,693	140,693	
Total payables and prepayments	223,804	223,804	
	31.12.2013	within 12 months	Note
Supplier payables	2,900	2,900	
Employee payables	16,233	16,233	
Tax payables	22,584	22,584	4
Other payables	1,324	1,324	
Other accrued expenses	1,324	1,324	
Prepayments received	187,703	187,703	
Total payables and prepayments	230,744	230,744	

Note 8 Donations and grants

(in euros)

	2014	2013
Grants for operating expenses	363,721	614,864
Depreciation of grants	0	756
Total donations and grants	363,721	615,620



Number of members at end of financial year	31.12.2014	31.12.2013
Members who are legal entities	1	1

Related party balances according to groups

	31.12.2014		31.12.2013	
	Receivables	Liabilities	Receivables	Liabilities
Founders and members	37,868	0	46,543	17,338

2014	Purchases	Sales
Founders and members	0	214,675
Management and higher supervisory body and individuals with material ownership interest and entities under their material and prevalent influence	376	6,066
2013	Purchases	Sales
Founders and members	0	256,880
Management and higher supervisory body and individuals with material ownership interest and entities under their material and prevalent influence	245	6,144

Remuneration and other significant benefits calculated for members of management and highest supervisory body	2014	2013
Remuneration	39,403	40,219





Grant Thornton

Rimess Baltic

An instinct for growth™

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

Grant Thornton Rimess OÜ
Ahtri 6a
10151 Tallinn
Estonia

T +372 626 4500
F +372 626 4501
E info@ee.gt.com
www.grantthornton.ee

REG. CODE 10384467

To the general meeting of Estonian Institute for Sustainable Development, Stockholm Environment Institute Foundation Tallinn Office

We have audited the accompanying financial statements of Estonian Institute for Sustainable Development, which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 18 to 29.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Estonia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (Estonia). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit
Accounting
Tax
Legal
Financial Advisory



Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Estonian Institute for Sustainable Development, as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Estonia.

Mati Nõmmiste 
Sworn Auditor
License number 178

Grant Thornton Rimess OÜ
License number 3
Tallinn, 1 March 2015

SIGNATURES

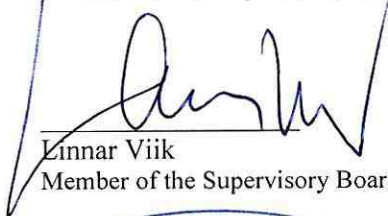
The annual report of SEI Tallinn SA for 2014 is signed on 11 May 2015. We hereby confirm that the information presented herein is correct.



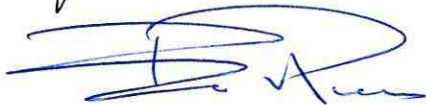
Tea Nõmmann
Director



Jakob Granit
Chairman of the Supervisory Board



Linnar Viik
Member of the Supervisory Board



Erik Puura
Member of the Supervisory Board