



ILMARINEN



SUSTAINABILITY 2015

President and CEO's review

AN EXCELLENT YEAR FOR ILMARINEN 2015

Sustainability is one of our values and sustainability in all of our operations strengthens Ilmarinen's attractiveness and supports our business.



Timo Ritakallio
President and CEO

In many ways, 2015 offered a challenging environment for pension insurance companies and in particular their investment operations. The operating environment was characterised by high volatility in share prices, a historically low interest rate level and a weakening of the growth outlook for the global economy. We at Ilmarinen were, however, able to navigate the challenging conditions and have reason to be happy with our investment result.

Investments performed well

Last year, Ilmarinen's investments yielded 6.0 (6.8 in 2014) per cent and the market value of investments rose by EUR 1.6 billion to EUR 35.8 (34.2) billion. The key to our investment success was our long-term investment strategy, based on which we have continu-

ously diversified the pension assets that we manage into various asset classes and widely in terms of geography. Last year, we also succeeded particularly well in the timing of our investment decisions.

Client bonuses at all-time high

Ilmarinen's solvency remained strong and, by the end of the year, our solvency capital rose to EUR 8.2 (7.9) billion and our solvency ratio was 29.6 (29.8) per cent. Our cost-effectiveness was also at a good level. Thanks to our good solvency and cost-effectiveness, the amount of client bonuses grew to a record-high EUR 98 (93) million, i.e. 0.6 (0.6) per cent of the total payrolls of the companies insured with Ilmarinen.

Last year, Ilmarinen's premiums written totaled just under EUR 4.3 (4.2) billion. On

the other hand we failed to reach the same level of development in terms of customer numbers as in previous years and our total pension insurance sales fell below the previous year's level to EUR 250 (290) million. We can be happy with our customer acquisition level, but we were not satisfied with customer retention and this will be a key focal point for our activities in the future. We are responsible for the pension cover of close to 900,000 Finns, of whom more than 320,000 received pensions from Ilmarinen at the end of the year. Last year, Ilmarinen paid a total of EUR 4.4 billion (4.4 billion) in pensions.

Number of rehabilitees grew

During the year, our well-being at work services had altogether more than 1,900 (1,800) projects supporting well-being at



work and these covered 160,000 people i.e. every third employee insured with Ilmarinen. The productivity of the well-being at work services is illustrated by the fact that the number of disability pension decisions fell by more than 30 per cent in the past decade. Vocational rehabilitation enables the extension of careers and the number of rehabilitees last year grew by 24 per cent compared to the previous year.

Ilmarinen made altogether 22,800 (22,400) new pension decisions last year. We rolled out a new IT system for processing pension applications, which improves the application process's speed, quality and efficiency. We also made changes to our IT system in order to prepare for the pension reform set to take effect in 2017. We will be able to issue the first pension estimates based on the pension reform to our customers during spring 2016.

Strategy renewed

In 2015, we renewed Ilmarinen's strategy and over the last part of the decade we will focus on four things: serving digitally, growing profitably, investing successfully and energising our work community. We set ourselves clear goals to be achieved by 2020 and decided to focus all of our business development operations around these four strategic focal areas. Our premises are also a tool for implementing the strategy. They were renovated into more modern premises that support profitable work and encourage positive energy and innovative-

ness. The new work environment and tools support agile interaction.

In order to boost development, we launched the Wauhdittamo operating model to engage our personnel and our customers in the development of our digital services. We wish to take on a new role in supporting the growth and success of Finnish companies: Wauhdittamo is our way to achieve faster and bolder development together.

Sustainability refined

Sustainability is one of our values and sustainability in all of our operations strengthens Ilmarinen's attractiveness and supports our business. During the year, we detailed our sustainability goals and calculated the carbon footprint of our equity investment portfolio for the first time. We have long been a pioneer in responsible investments and aim to continue along this path in the future.

I wish to extend a warm thank you to all of our customers for their trust, our personnel for their excellent work and our other stakeholders for their positive interaction over the past year.

Timo Ritakallio
President and CEO



ILMARINEN IN BRIEF



Ilmarinen is a mutual employment pension insurance company. Our task is to ensure that our customers receive the pension they earned from employment. We also seek to improve working life and thus help our customers succeed. 'Mutual' means that Ilmarinen is owned by our customers.

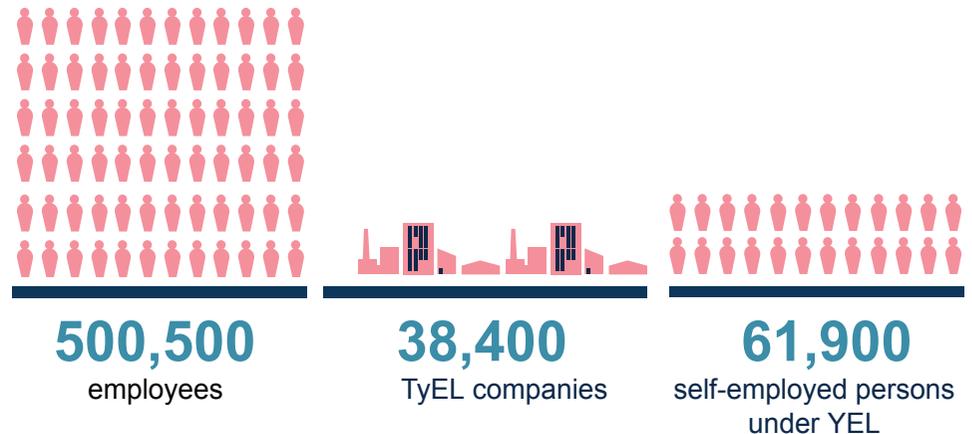
Ilmarinen provides two types of insurance: employees' earnings-related pension insurance (TyEL), which employers take out for their employees, and self-employed persons' earnings-related pension insurance (YEL), which self-employed persons take out for themselves. We serve all private companies and self-employed persons regardless of the size of the business activities or the sector. We provide insurance for more than half a million employees and 62,000 self-employed persons and pay pensions to

more than 300,000 pensioners. In total, we are responsible for the pension cover of almost 900,000 Finns.

We also offer our customers comprehensive rehabilitation and work capacity management services. In addition, we are a major real estate investor and we rent premises and flats. Our services also include corporate financing.

We take care of statutory pension cover exclusively in Finland, operating a nationwide service network jointly with OP Financial Group. We have invested around one third of our investment assets of more than EUR 35 billion in Finland. Europe, Asia and the Americas are also important investment markets for us. Apart from one portfolio manager who monitors the Asian markets from Hong Kong, all of our employees work in Finland.

Ilmarinen's mission is to take care of the pension cover of close to 900,000 Finns.



Ilmarinen's services

- Earnings-related pension insurance provision
- Managing pension cover
- Well-being at work and rehabilitation
- Real estate and office premises
- Corporate financing

PENSION CONTRIBUTIONS

- For paying pensions to 323,00 pension recipients
- For investments for future pensions

Values guide our operations

Our vision is to be the most attractive earnings-related pension partner. We operate openly and responsibly and in co-operation with clients and partners. We believe that sustainability in all of our operations strengthens our attractiveness as an earnings-related pension partner and supports efficient business.

Key figures and income distribution in society

In 2015, we received EUR 4.3 billion in premiums written from employers, employees and self-employed persons and paid EUR 4.4 billion in pensions. Our investment activities generated a net return of EUR 2.1 billion and the value of our investment assets increased to EUR 35.8 billion. Ilmarinen employed 573 persons at the end of 2015.

The majority of Ilmarinen's income is paid as pensions to current pensioners. It is, however, equally important to prepare for tomorrow and ensure that there are sufficient assets also for future generations.

Ilmarinen's values



KEY FIGURES OF ILMARINEN'S BUSINESS AND ORGANISATION (G4-9)	2015	2014	2013
Number of employment relationships at the end of the reporting period	573	576	581
Premiums written, EUR mill.	4,269	4,167	4,087
Net investment income at fair value, EUR mill.	2,071	2,188	2,915
Turnover, EUR mill.	6,885	5,717	5,901
Value of investment assets, EUR mill.	35,841	34,196	32,270

ILMARINEN'S SOCIAL INCOME DISTRIBUTION CALCULATION (G4-EC1)

ILMARINEN'S INCOME (EUR MILL.)	2015	2014	2013
Premiums written	4,268.7	4,167.4	4,086.9
• TyEL, employer's contribution	2,927.2	2,859.5	2,870.3
• TyEL, employee's contribution	997.4	981.1	914.6
• YEL (self-employed persons)	344.1	326.8	302.0
Previous year's client bonuses	94.1	84.2	62.4
Net investment return excluding operating expenses	2,109.6	2,217.1	2,944.4
Other income and expenses	0.3	0.1	0.5
Total income	6,472.7	6,468.9	7,094.2

ILMARINEN'S INCOME DISTRIBUTION (EUR MILL.)	2015	2014	2013
To pensioners	-4,441.6	-4,350.9	-4,145.5
• TyEL pension recipients	-4,099.2	-4,021.5	-3,841.5
• YEL pension recipients	-342.4	-329.4	-304.0
Provision for future pensions	-1,047.3	-823.9	-842.3
Provision for future risks	-724.0	-1,046.9	-1,869.6
Buffer against fluctuations in investment returns	-691.8	-1,001.6	-1,884.4
Buffer against fluctuations in underwriting results	-32.2	-45.3	14.8
Client bonuses	-98.0	-93.0	-86.0
Staff expenses	-53.8	-48.9	-47.9
Other service providers	-96.8	-100.9	-95.4
Taxes withheld at source	-11.2	-4.4	-7.4
Donations	-0.05	-0.05	-0.05
Total income distribution	-6,472.7	-6,468.9	-7,094.2

Ilmarinen's income distribution



Donations and sponsoring

In addition to current and future pensioners, future risks, client bonuses and the expenses arising from our own operations, we allocated in 2015, as in the previous years, a small portion (around EUR 50,000) of our revenues to gratuitous donations for purposes of general interest. We granted donations, among others, to the Finnish Heart and Lung Transplant Association (SYKE), the Finnish Sports Association for Persons with

Disabilities (VAU), Save the Children Finland, Maanpuolustuksen Tuki, Women's Bank, Finnish Red Cross and Munuaissäätiö (Kidney Foundation). In addition, we sponsored the Finnish Association for Human Resources Management (HENRY), Savonlinna Opera Festival, Sonera Stadium, Badminton Finland, the Finnish Chamber Orchestra, the Finnish Orienteering Federation and the Finnish Association for the Welfare of Older People (VTKL).

SUSTAINABILITY AT ILMARINEN



At Ilmarinen, sustainability is an integral part of all of our activities. In addition to the sustainability themes stemming from our own operations, we take into account sustainability megatrends, such as climate change, tax footprint, cyber threats, diversity and the overall increased demand for sustainability in the whole of society.

On the basis of the sustainability megatrends and the special characteristics of our own business, we have identified sustainability aspects that are material for Ilmarinen. They are described below.

Materials aspects of sustainability at Ilmarinen

SOCIETY

- Statutory basic task and its cost-effective and high-quality management

BEST CUSTOMER EXPERIENCE

- Managing pension cover
- Services for extending careers

TRANSPARENCY

- Open stakeholder dialogue
- Consistent opinion-building
- Comprehensive sustainability reporting

SUSTAINABILITY AT ILMARINEN

ETHICAL PRINCIPLES IN BUSINESS

- Compliance function to ensure compliance with regulations
- Key themes include data protection and sustainable customer work

RESPONSIBLE INVESTMENT

- Managing pension assets
 - Active ownership
- Sustainability as part of investment decisions

ATTRACTIVE EMPLOYER

- Energising workplace
- Promoting diversity
- Fairness of remuneration and incentives

BEST CUSTOMER EXPERIENCE



MANAGING PENSION COVER

Our basic task is to ensure that the personnel of our client companies receive the pension they earned from employment. The earnings-related pension system is a key component of Finnish social security and thus directly impacts the well-being of Finns.

We are responsible for the pension cover of approximately every third Finn working in the private sector. We provide insurance for 62,000 self-employed persons and 38,000 companies which employ in total more than half a million people. We annually collect more than EUR 4 billion in earnings-related pension contributions and also pay out over EUR 4 billion in pensions to more than 300,000 people.

Ilmarinen's insurance and pension services

Our objective is to serve our customers as well as possible to ensure the easy and straightforward management of their matters. Customers expect earnings-related pension companies to offer them increasingly personalised services. This is enabled

by digitalisation, which is why, over the next few years, we will focus our efforts on developing digital services in particular.

Insurance services

We carry out our basic task – providing earnings-related pension insurance – in a way that meets the highest possible level of quality and is convenient for our customers. The majority of our customers still provide us with annual notifications. However, a quarter of our customers already report the earnings of their employees to us on a monthly basis for the up-to-date calculation of the earnings-related pension contributions. In 2015, we developed our online insurance services and invoicing processes on the basis of feedback received from customers. We measure our service capability by asking our customers to rate their experience in terms of how easy it is to deal with us, how comprehensive our service offering is and how the services are executed.

Our customers increasingly often handle their insurance matters online. In 2015, 57% of customers' service contacts were made through the *ilmarinen.fi* service and 43%

TIMELINESS OF ILMARINEN'S PENSION DECISIONS (KPI)

	2015	2014	2013
Pension decisions issued at the latest during the month in which the pension began	89%	94%	94%

through other customer service channels. However, the Net Promoter Score (NPS) given by the users of the *ilmarinen.fi* service was only 5 (on a scale where -100 is the worst and +100 the best possible score). In 2016, one of our goals is to improve the monthly notification services and make dealing with us even faster and easier.

Pension services

Many of our pension customers only apply for pension once in their life – therefore it is paramount for us to ensure that each and every pension service experience is an excellent one. In processing pension applications, we pay particular attention to speed (processing time) and quality and measure success in these areas. In 2015, the pension services received an NPS of +47 against +50 in 2014. Our customers had to wait for their pension decision longer than in 2014, which we believe reduced the

NPS. As such, customers continued to be quite pleased with the pension service and scored it 4.1 on a scale of 1–5.

In 2015, we focused on the digitalisation of the pension processing process. This will mean more automated and thus faster processing in the future. In the transitional period, the digitalisation of the processing process has also brought some challenges, resulting in delays in the processing of the pension applications of some customers. Whereas in 2014 and 2013, 94% of our pension decisions were issued at the latest during the month in which the pension began, in 2015 this percentage was only 89 per cent. Problems have been remedied as they have emerged and our goal is for the situation to normalise during 2016. Pension

applicants have been notified of the anticipated processing times on our website.

In 2016, our goal is also to improve the pension applicants' possibilities to track the progress of their pension applications at Ilmarinen and to make it possible to apply for pensions in electronic form.

Customer experience at the heart of our strategy

Customer experience is one of the focus areas in our strategy for 2016–2020. That is why Ilmarinen's Executive Group regularly monitors the development of the customer experience. We measure customer experi-

ence at various points of the customer service path and continuously carry out measures to improve the service experience. During the current strategy period we wish to find and implement digital services that benefit and delight our customers in their daily contacts with us. We will engage customers in this development work.

The effectiveness of rehabilitation, i.e. the proportion of rehabilitees that were available to the labour market at the end of the rehabilitation of all rehabilitees also grew to 78% (77% in 2014).

ILMARINEN'S CUSTOMER RETENTION	2015	2014	2013
Average customer retention	96%	96%	97%

NET PROMOTER SCORE GIVEN BY ILMARINEN'S CUSTOMERS (NPS, SCALE OF -100 TO +100) (G4-PR5)	2015	2014	2013
NPS, all customers	24*	24	22
NPS, large corporate customers (more than 250 employees)	57*	51	51
NPS, medium-sized corporate customers (50–250 employees)	42	38	40
NPS, small and micro-sized corporate customers (1–49 employees)	-2*	3	-3
NPS for Ilmarinen's online services	5	28	29
NPS for Ilmarinen's phone services	59	59	60
NPS for Ilmarinen's online pension services	21	39	34
NPS for Ilmarinen's insurance services	-4	23	26

*preliminary forecast

REHABILITATION AT ILMARINEN (KPI)	2015	2014	2013
Number of preliminary rehabilitation decisions	3,084	2,480	2,375
Effectiveness of rehabilitation, i.e. the proportion of rehabilitees available to the labour market at the end of the rehabilitation of all rehabilitees (%).	78%	77%	73 %

SERVICES FOR EXTENDING CAREERS

In addition to statutory rehabilitation services, customers expect Ilmarinen to have more and more expertise in developing work capacity management practices and the quality of working life. Through systematic co-operation we reduce the disability risks of our client companies and support the management of personnel costs and productive work. By collaborating extensively with our customers we also contribute to extending work careers.

Vocational rehabilitation

An employee or a self-employed person with impaired work capacity can apply for vocational rehabilitation in order to remain at work or return to working life. In 2015, we issued 3,084 rehabilitation decisions, which is 24% more than in the previous year.

Work capacity management

For Ilmarinen's work capacity management service, 2015 was a record-breaking year in terms of customer co-operation. We organised 40 'A Better Working Life' coaching sessions for our client companies throughout Finland, attracting around 2,200 participants. The coaching sessions were focussed around, for example, the development of supervisory work, smooth work flow and community as well as the creation of a culture of early intervention at the workplace. During the year, Ilmarinen also had some 1,900 distinct coaching or co-operation projects underway with its clients. These projects involved approximately 160,000 persons, i.e. around a third of the employees insured with Ilmarinen.

Co-operation with clients is systematic and goal-oriented and the projects are always targeted at jointly identified challenges related to work capacity management. Co-operation is based on written agreements and the results produced by

the services are monitored through indicators agreed on together with clients and customer surveys, for example.

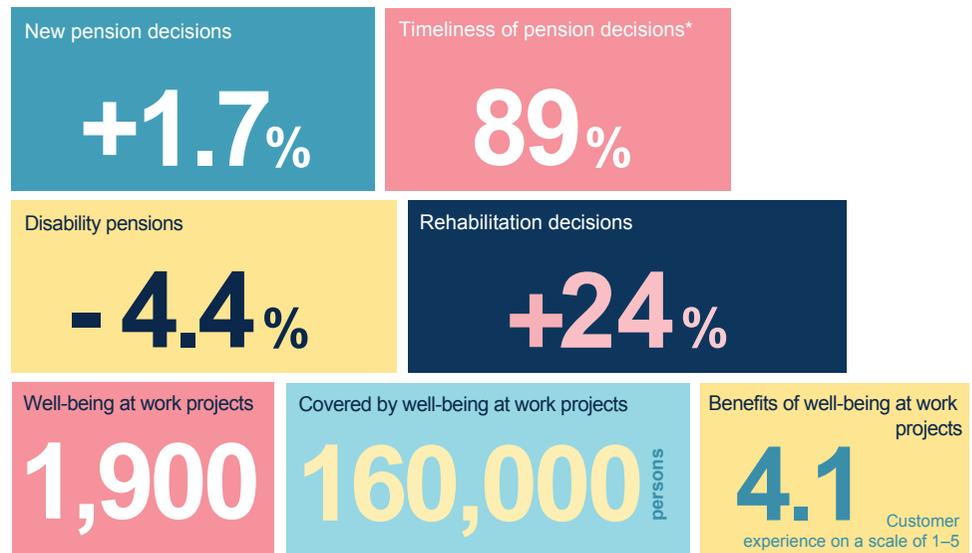
Detailed guidelines and specifications have been drawn up for work capacity activities at Ilmarinen. The activities are always based on an estimate of the client's disability risk and the actual need for work capacity management services. We set goals and indicators for every co-operation project and we pay particular attention to cost management. Our work capacity co-operation policies have been published on our [website](#).

We measure the quality of our work capacity management activities through the willingness of our customers to recommend them and through the benefits our customers feel they gain from the co-operation. The results have been excellent. The Net Promoter Score (NPS) received by Ilmarinen's work capacity specialists from their clients in 2015 was 80 (on a scale where -100 is the worst and +100 the best possible

score) and the clients rated the benefits they gained from the co-operation at 4.1 (on a scale of 1–5). In 2014, the corresponding figures were 85 and 4.2, indicating that the effectiveness of the services has remained at a good level. Our goal for 2016 is to maintain the strong quality level of the service and create services that are accessible to an increasing number of customers.

In 2015, our focus was on developing our assessment methods related to the work capacity management practices of our client companies. In 2016, the focus of work capacity development is on digital services. In late 2015, we launched, in the [ilmarinen.fi](#) service, A Better Working Life path which offers tools for identifying the current situation, developing supervisory work, securing work capacity, building a skilled work community and creating overall well-being and which is open to all of our customers. In 2016, we will add a number of work capacity management services to the path.

EFFECTIVENESS OF ILMARINEN'S WORK CAPACITY SERVICES (KPI)	2015	2014
Benefit of well-being at work projects as experienced by customers	4.1/5	4.2/5



* The timeliness of pension decisions describes the proportion of the pension decisions that we issued at the latest during the month in which the pension began.

SOCIETY



COST-EFFECTIVE MANAGEMENT OF THE BASIC TASK

Responsible management of the pension cover requires us to operate cost-effectively. It is a major competitive edge for Ilmarinen and a key requirement in terms of the whole system's sustainability and legitimacy. As a large actor we have a significant impact on the average cost-effectiveness of the entire pension system.

We finance our own operations through the expense loading component included in the earnings-related pension contribution. The costs for the investment operations are covered through investment returns. How much money the organisation spends on handling its implementation duties and what results it produces for the benefit of its customers depends on the efficiency of the pension institution's operations. Ilmarinen strives to operate as efficiently as possible and to generate a large loading profit. The more efficiently we are able to operate, the larger the loading profit and the better the client bonuses we can pay.

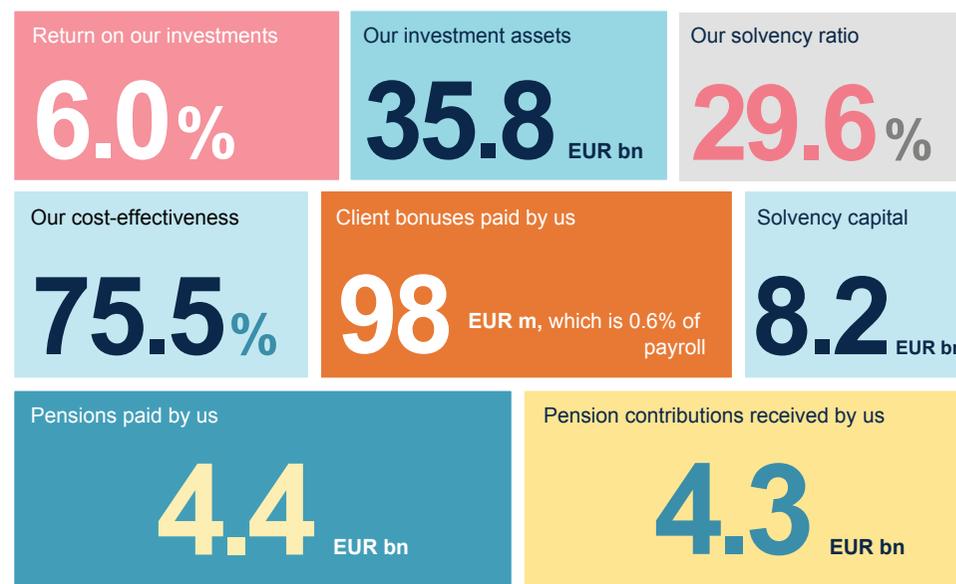
Ilmarinen's Board of Directors sets an annual goal for the company's cost-effectiveness. On that basis, Ilmarinen's manage-

ment sets cost-effectiveness targets and draws up action plans for the various functions across the organisation and regularly monitors and assesses their implementation.

The indicator used for comparing the operational efficiency of pension insurance companies is the ratio of operating expenses to expense loading components. It describes the company's own operating expenses in relation to the loading income and it also determines the loading profit. In addition, we also measure Ilmarinen's operational efficiency through absolute operating expenses in euros. Our goal is for our annual operating expenses not to increase during the strategy period 2016–2020. We report on the forecasts concerning the ratio of operating expenses to expense loading components and the operating expenses monthly to Ilmarinen's Board of Directors.

In 2015, Ilmarinen's ratio of operating expenses to expense loading was 75.5 per cent. The ratio was impacted by large investment costs, among other things, in the renewal of pension processing. Total operating expenses amounted to EUR 151 million and the operating expenses to be covered through the expense loading

ILMARINEN'S RATIO OF OPERATING EXPENSES TO EXPENSE LOADING COMPONENTS AND OPERATING EXPENSES (KPI)	2015	2014	2013
Ratio of operating expenses to expense loading components (%)	75.5%	76.0%	75.0%
Total operating expenses (EUR mill.)	EUR 150.7 mill.	EUR 149.8 mill.	EUR 143.4 mill.



component of the earnings-related pension contribution to EUR 109 million. Thanks to high cost-effectiveness, we were able to

pay out a record EUR 98 million (EUR 93 million in 2014 and EUR 86 million in 2013) in client bonuses.

RESPONSIBLE INVESTMENT



MANAGING PENSION ASSETS

The earnings-related pension system is a key component of Finnish social security. Pension assets secure the sustainable financing of pensions. According to law, earnings-related pension assets must be invested in a profitable and secure manner. By taking care of the successful investing of the pension assets under our management we ensure that the employees of our client companies and entrepreneurs will receive the pension they earned from employment. It is about bearing responsibility in the long term – a pension insurance company's quarter is rather 25 years than three months.

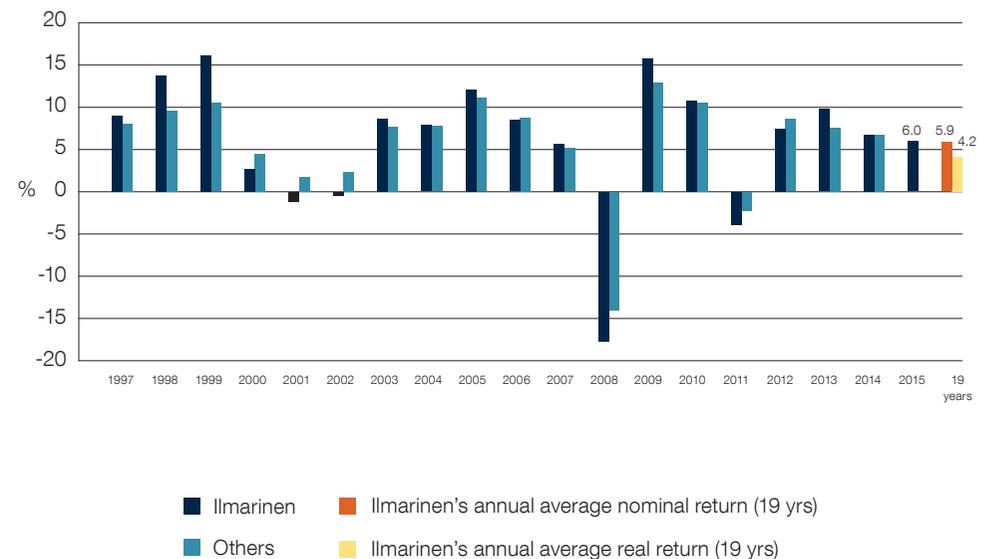
Our long-term real investment return on pension assets is 4.2 per cent. This exceeds the 3.5-per-cent return level applied by the Finnish Centre for Pensions when forecasting the development of the pension contribution. In 2015, the return on Ilmarinen's pension assets was 6 per cent and the company's solvency, i.e. the ratio of solvency capital to technical provisions, was 29.6 per cent. The solvency ratio was more

than twice the 14.5-per-cent limit required by law.

In recent years, the earnings-related pension system's premiums written have lagged behind the development of the pension expenditure. The resulting deficit is in line with forecasts and can be attributable to the retirement of baby-boomers. We have been aware of this development for a long time and have prepared for the situation by funding pension assets. Part of the funds' investment returns will be used to finance pension expenditure in the future too. Most of the pension premiums written are used for paying current pensions, but 25% of the earnings-related pension contributions are funded. We diversify these funds across various investments, such as equities and shares, debt instruments and real estate. Through professional risk management, we ensure that our solvency remains good and that we comply with the statutory solvency requirements. Good solvency protects pension assets against investment risks while at the same time enabling sufficient risk-taking with regards to the targeted investment

TOTAL RETURN ON ILMARINEN'S INVESTMENTS AND SOLVENCY RATIO (KPI)	2015	2014	2013
Net investment income on capital employed	6.0%	6.8%	9.8%
Solvency ratio, i.e. ratio of solvency capital to technical provisions	29.6%	29.8%	28.0%

Long-term return on investment operations



return. In addition, good solvency means the ability to pay competitive client bonuses.

Ilmarinen's Board of Directors annually approves an investment plan that guides our investment operations and monitors its implementation on a regular basis. The investment plan lays down the targets for risk-taking and investment allocation in our investment operations. The Board of Directors also decides on investment authorisations. Ilmarinen's investment organisation is in charge of investment operations. We publish quarterly reports on the return on our investments and our solvency.

In 2015, we renewed our investment organisation with the goal of making more efficient use of human resources and capitalising on operational synergies, among other things.

Significance of earnings-related pension assets and Finnish ownership

Ilmarinen is a major player in Finnish society. Our operations and our investment and financing decisions have significant ripple effects throughout Finnish business and industry. Similarly, success in business and industry has direct impacts on Ilmarinen's operations.

All in all, around one third of Ilmarinen's investment assets of more than EUR 35 billion are invested in Finland. This gives Ilmarinen a major role in the capital supply of Finnish industry. Through our financing and corporate bond decisions we contribute to the development and growth of businesses. Around one third of our equity investments are invested in Finnish listed companies. We have real estate investments worth EUR 3 billion in Finland and we continuously build new properties and

develop our existing ones. In addition, we participate in improving companies' productivity by supporting the work capacity of our client companies' employees.

By investing in infrastructure, such as the submarine data cable system to be built between Finland and Central Europe, we do our part in providing Finnish companies with the necessary conditions for their operations. The construction of the submarine cable began in 2015. This infrastructure project puts Finland at the top in terms of data center investments and enables the creation of thousands of new jobs, increasing Finland's attractiveness and competitiveness.

Similarly, the success of Finnish companies plays a significant role in the success of Ilmarinen's operations. The better Finnish companies succeed, the higher the employment rate and payrolls. Work

carried out in Finland, for its part, is directly linked to Ilmarinen's pension contribution accrual and thus to the sustainability of the financing of the entire pension system. The success of Finnish companies also affects the returns on the pension assets managed by Ilmarinen, for example, in the form of changes in the value of listed shares.

SUSTAINABILITY AS PART OF INVESTMENT DECISIONS

In Ilmarinen's view, the responsible and long-term investing of pension assets is a central part of profitable investment operations and effective risk management. Our investment decisions have an influence not only on our investment returns but also on the finances of many companies as a result of our decisions to participate in share issues, bond issues or other financing projects.

Responsible investment means that, in addition to economic aspects, we take into account aspects related to the environment, social responsibility and good governance when making investment decisions. The environmental and social impacts and governance of business operations influence companies' profits, expenses and reputation, and thus also have a major impact on Ilmarinen's investment returns.

ILMARINEN'S MOST SIGNIFICANT FINNISH LISTED EQUITY HOLDINGS

EUR mill.	31 Dec 2015	31 Dec 2014	Percentage	31 Dec 2015	31 Dec 2014
Sampo Plc A	218	223	Digia Plc	14.58	14.58
Kone Corporation	188	212	PKC Group Plc	12.16	12.23
Nokia Corporation	184	359	Basware Corporation	10.76	10.70
Neste Ltd	181	73	Technopolis Plc	10.41	10.41
Wärtsilä Corporation	168	148	CapMan Plc	8.32	8.32
Citycon Corporation	152	117	Martela Oyj	8.07	8.07
Fortum Corporation	143	81	Munksjö Group	8.03	5.98
Stora Enso Oyj	143	79	Incap Corporation	7.61	7.61
UPM-Kymmene Corporation	123	176	Componenta Corporation	7.15	7.15
Metsä Board Corporation	112	70	Citycon Corporation	7.13	7.63

Respecting international norms

We were the first Finnish investor to sign the UN's Principles for Responsible Investment (PRI) in 2006. In addition to national legislation, we require the companies we own to comply with the UN Global Compact and the international norms behind them, such as the ILO's Declaration on Fundamental Principles and Rights at Work and the Rio Declaration on Environment and Development.

Our external service provider screens our securities investments biannually and reports any detected norm violations or suspicions thereof. This screening covers Ilmarinen's direct investments in listed equities, corporate bonds and derivatives with a single company as the underlying security. At the end of 2015, 91%* of our direct listed equity investments and 44% of our entire investment assets had been screened for norm violations. We take the norm violations that we are aware of into account in making new investment decisions and regularly

monitor new suspected violations. Norm violations can also lead to the exclusion of investees from our investment universe.

Integrated sustainability analysis

Sustainability analysis has been integrated into the selection of investees, so it is not a separate function. During 2015, we made the integration of sustainability aspects into investment operations more systematic by adopting responsible investment ratings. The basis of the rating system is a combination of sustainability rating standards created by third parties, which we adapt with analyses from internal and external sources.

We paid particular attention to the technical implementation of the rating system. The ratings and the related sustainability analysis and possible changes are now available to our portfolio managers alongside the company's financial figures. Sustainability ratings already cover 91% of our listed equity investments.

Responsible investment in the various asset classes

Responsible investment includes special characteristics that are specific to the various asset classes. In 2015, we drew up industry-specific sustainability questions for companies whose business operations entail high sustainability risk for the purchase of non-listed direct equities and the granting of investment loans. The scope of the evaluation can vary depending on the size, industry and risks of the investment opportunity in question. We also address sustainability issues in our discussions with the management of non-listed companies.

When making fund investments and selecting funds, we extensively assess the fund management company's responsible investment operations, as the external asset manager managing the fund investments has the decision-making power in the funds. In 2015, we defined our minimum requirements for the selection of funds, according to which we require asset managers to adhere to responsible investment principles regarding funds, a clear definition of roles and responsibilities, integration of sustainability analyses into investment decisions and reporting to investors. The asset manager need not have all of the above-mentioned principles and processes in place when the fund agreement is signed. Instead, the asset manager may continue to develop them during the co-operation.

Investment decision-making evolving

In 2015, we drew up, based on the previous ownership policy, our [Ownership Policy](#) and [Responsible Investment Policy](#), which were approved by Ilmarinen's Board of Directors. The ownership policy management team outlines the instructions for practical application. The team prepares, decides on and co-ordinates Ilmarinen's key ownership policy principles, such as voting in General Meetings and positions on the largest owners' joint statements and proposals prior to the General Meeting. The ownership policy management team includes the President and CEO and representatives of the investment and legal functions. It convenes at least 4–6 times a year and more frequently if needed.

The investment division is responsible for operational sustainability analyses and their integration into the selection process as well as the sustainability monitoring of our investments.

In 2016, we will continue the implementation of the sustainability analysis into the investment decision-making process. We will also monitor the development of sustainability analysis tools and responsible investment themes, among other things. In addition, we intend to examine investees that benefit from the resolution of sustainability challenges while meeting the return requirements set for our investment operations.

SCREENING OF ILMARINEN'S INVESTEEES FOR ENVIRONMENTAL OR SOCIAL NORM VIOLATIONS 2015 (FS11)	Proportion of all investees in the class (%)
Proportion of listed equities screened for norm violations	91%*
Proportion of fixed income investments screened for norm violations	79%**
Proportion of investment assets screened for norm violations of all investment assets	44%

* The norm screening was carried out in November 2015 for all current direct equity investments (100%).

After that, new direct listed equities have been acquired, which is why the proportion of equities screened for norm violations of all direct listed equities included in the investment portfolio at the end of the year was 91%.

** The norm screening for fixed income investments was also carried out in November 2015. The screening covered all fixed income investments excluding government bonds. Due to the changes that have taken place after the screening, the proportion of fixed income investments screened for norm violations of all fixed income investments was 79% at the end of the year.

ILMARINEN'S PARTICIPATION IN GENERAL MEETINGS 2015 (KPI)	Number of General Meetings	Participation rate
Participation in the General Meetings of listed Finnish companies	75	89%
Participation in the General Meetings of non-listed Finnish companies	20	100%
Voting in the Annual General Meetings of foreign companies	11	

ACTIVE OWNERSHIP

Ilmarinen is an important owner in Finnish companies and a key economic operator in Finnish society. We are an active owner, which entails, among other things, active participation in the General Meetings and Board nomination processes of the companies we own, active dialogue with their management and engagement to further their sustainability.

In our Ownership Policy, we disclose what we expect from Finnish companies as an owner and how we play our role as an active owner. For example, we consider it important that the companies openly report on their operations, including sustainability aspects. In addition, we specify our expectations concerning the agendas of General Meetings, the remuneration systems and the composition of the Board of Directors.

Participation in Nomination Committees, General Meetings and Board work

We participate in the nomination processes of the Board members of a number of Finn-

ish listed companies. During the nomination process, we promote the professional governance and management of the companies we own. A list of all Nomination Committee memberships can be found on our [website](#) (in Finnish).

In 2015, we participated in the General Meetings of 75 listed Finnish companies, which equals 89% of the listed Finnish companies we own. We also participated in the General Meetings of 20 non-listed Finnish companies, which equals 100% of the non-listed Finnish companies we own. We report on our participation in General Meetings and on possible votes on our [website](#) annually (in Finnish).

Our responsible investment specialist draws up voting instructions for each General Meeting. In drawing up the instructions, we take into account the independence of Board members, remuneration and the authorisations sought in the General Meeting pertaining to share issues and the purchase of own shares, for example. We also ensure that both women and men are represented on the Board of Directors of the companies we own.

Ilmarinen has executives on the boards of some Finnish listed companies. For example, our President and CEO Timo Ritakallio is a member of Outotec's Board of Directors. We also have representatives on the boards of several non-listed Finnish companies.

Information on the Board memberships of all Ilmarinen employees can be found on our [website](#) (in Finnish).

Dialogue and engagement processes

We hold discussions with companies we own, directly with the company's management and, if need be, with the Board of Directors. In 2015, we regularly met with the management of the listed Finnish companies we own. In total, we met with the senior management of 73 companies. This equals 82% of the companies we own that are listed in the Helsinki stock exchange. Considering all of Ilmarinen's holdings, we were in contact with 73 companies (17% of the companies we own) with regards to sustainability matters. The topics discussed included, for example, the representation of both women and men on the Board of Directors, our wish concerning tax footprint reporting, responsible sourcing of raw materials, the impacts of international projects on local communities and freedom of association.

If a company we own systematically fails to comply with the UN Global Compact principles, we will deepen our dialogue into

an engagement process that aims at ending the undesirable activity and at the adoption of responsible procedures. If the undesirable activity does not end as a result of the engagement process, our last resort is to exit from our ownership in the company.

Ilmarinen's investment organisation decides on the companies to be subjected to the engagement process and on the procedures. We engage with companies both alone and together with our service provider and other investors. In Nordic Engagement Cooperation in particular we engage with companies jointly with the Norwegian company KLP and the Swedish company Folksam. We publish a separate annual report pertaining to this engagement work on our website.

Among the companies included in Ilmarinen's investment portfolio at the end of 2015, 11 were subjected to the engagement process or were under observation on account of norm violations relating to working conditions, child labour and environmental impacts, among other things. Five engagement processes were closed in 2015, because the companies either adopted more sustainable ways of operating or we exited from their ownership. In 2015, we also set up an observation list and we regularly monitor the confirmed or suspected norm violations related to the operations of the companies included in the list to ensure that the expected development takes place.

ILMARINEN'S INTERACTION IN ENVIRONMENTAL AND SOCIAL MATTERS WITH COMPANIES INCLUDED IN THE INVESTMENT PORTFOLIO 2015 (FS10) **Number**

Companies included in the investment portfolio with which a dialogue has been held on environmental or social issues	73 (17% of all companies in the direct equity portfolio)
Companies included in the investment portfolio at the end of 2015, subjected to the engagement process or under observation	11
Engagement/observation processes with investee companies closed during the year	5

More diverse tools for active ownership

In 2015, we organised a workshop on human rights as a new form of co-operation with the AP1-4 funds from Sweden, Folktrygghuset from Norway and ATP from Denmark. We invited leading Nordic companies whose operations involve significant human rights risks to participate in the workshop. Among the companies we own, 28 were in attendance; 14 of them were Finnish companies. In the workshop, companies had the chance to learn from one another and gain new ideas for their human rights efforts. The training during the workshop was provided by Shift, an internationally esteemed human rights training company.

CLIMATE IMPACTS

In our view, climate risks will affect investment returns in the foreseeable future through legislative amendments or as direct climate impacts, for example. Climate risks will also result in avoidance of certain investees. Our stakeholders also expect openness about the assessment of and exposure to climate risks. This prompted us to work on incorporating climate-change-related risk factors into our investment decisions during 2015.

Climate impacts of securities investments

The assessment of climate impacts in investment operations is led by Ilmarinen's ownership policy management team. We have joined CDP's (former Carbon Disclosure Project) initiative where major investors make a pledge to measure and report on the carbon footprint of their investment portfolios on an annual basis. We had the

first carbon footprint calculation carried out on our direct equity portfolio in spring 2015. There are two possible responses to high carbon risks: either try to influence the company's activities through engagement or, if we consider the risks to be too high and rapidly realisable, to exit the investments.

Based on the first carbon calculation, Ilmarinen's equity portfolio's carbon intensity was 485 tCO₂/million euros*. Therefore, we could establish that the carbon intensity of Ilmarinen's direct equity portfolio was 3.5% below our benchmark index**. In addition, the potential emissions from the underground fossil fuel reserves of our investees turned out to be 11% below our benchmark. As a result of the calculation, we renounced ownership in three companies and approached automobile and electricity sector companies through investor letters together with other investors. In future, we will measure the carbon footprint of our equity portfolio and assess the carbon risks of the companies we own on an annual basis. In addition, we plan to include a few more climate criteria into our sustainability rating during 2016. These criteria will thus also influence our investment decisions.

In 2015, we submitted, together with other investors, shareholders' proposals to BP's and Royal Dutch Shell's Annual General Meetings in which we required the

companies to disclose more comprehensive reports on their climate strategy and the impacts of climate change on their business operations. Both companies recommended the approval of the proposals, and the majority voted for them in the General Meetings.

Climate impacts of real estate investments

The built environment causes significant climate impacts which need to be taken into account when assessing the development outlook of buildings. In 2015, we commissioned a carbon footprint calculation for the REDI shopping centre to be built in the Kalasatama district in Helsinki. The carbon footprint of the construction of the shopping centre is 53,600 tCO₂e, and the specific carbon footprint for the use of construction materials is 361 kg CO₂e/m².

As of 2016, we will start calculating the carbon footprint for the entire life cycle of our housing production from construction to maintenance and possible demolition. From housing production we plan to proceed to the life cycle calculation of the greenhouse gas emissions from all new construction projects. Carbon footprint measurements will help us identify measures to reduce the greenhouse gas emissions resulting from construction. We believe that the carbon

* The carbon intensity of an equity portfolio describes the amount of carbon dioxide equivalents, i.e. the amount of all greenhouse gases caused by the investees in tonnes per invested million euros. The calculation was carried out on 30 April 2015, after which changes have been made to the investment portfolio.
 ** We compared our carbon footprint to the combination of benchmark indices that we also use to assess financial returns.

footprint of buildings also affects the users' choices.

The life cycle carbon footprint of a building is largely caused during the building's use, but the majority of the choices affecting the carbon emissions during use are made in the construction phase. During the building maintenance phase, the largest climate impacts stem from energy consumption. In connection with new construction projects, we carry out energy simulations and chart the potential and profitability of renewable energy, especially geothermal heat, as the buildings' energy source. We also draw on construction sector players' experiences with various low-emission construction materials, such as wood, for our own structural engineering.

IMPACTS ON THE BUILT ENVIRONMENT

Ilmarinen is one of Finland's largest real estate investors, a major property developer and a significant buyer of real estate services. Our real estate assets total EUR 3.9 billion. Twenty per cent of the properties we own are in residential use and 80 per cent are various business premises. The environmental impacts of buildings and the design and use of the built environment are key factors affecting societal well-being. We invest in resource-efficient buildings that are healthy and safe for their users and located along good traffic connections. Our development activities and the real estate

services bought by us also create jobs and increase tax revenues.

We develop the built environment in a balanced way and with a long-term approach, taking urbanisation into account when planning our real estate investments. For example in 2015, we mainly invested in locations with a growing population, such as Helsinki and Berlin. Outside of Finland, we also invested in real estate in Brussels and the US.

Real estate maintenance and renovation

We take into account the entire life cycle of buildings. We maintain properties so as to retain their value. We promote the energy efficiency of buildings and reduce their detrimental impacts on the environment, such as water consumption.

We always seek the best expertise for real estate maintenance. In 2015, we changed the operating model of our real estate management services by switching from one maintenance and rental service provider to four service providers with special expertise in different fields. For example, energy management was segregated as a separate area within real estate management and is now managed by a specialised service provider.

We have signed the energy efficiency agreement for office premises ([IETS](#)) and for rental flats ([VAETS](#)).

In these properties, we carried out energy savings measures amounting to

ENERGY SAVINGS IN THE PROPERTIES OWNED BY ILMARINEN (KPI)	2015	2014	2013
Calculated energy savings achieved through energy savings measures (MWh/year)	1,099	4,467	2,743

ENERGY INTENSITY OF THE PROPERTIES OWNED BY ILMARINEN (CRE1)	2015	2014	2013
Flats' energy consumption (kWh/m ² /year)	151	151	148
Office premises' energy consumption (kWh/m ² /year)	200	198	200

WATER INTENSITY OF THE PROPERTIES OWNED BY ILMARINEN (CRE2)	2015	2014	2013
Flats' water consumption (m ³ /m ² /year)	1.07	1.11	1.08
Office premises' water consumption (m ³ /m ² /year)	0.28	0.26	0.26

1,099 MWh in 2015. We carried out energy savings projects in several properties that included, among other things, rebuilding the lighting system, cooling systems and the controls of the building's technical systems. As a measure to save water, we replaced the water fixtures of four residential buildings with low-flow fixtures. The fact that both the energy and water intensity in the properties we own have remained at the same level on average in recent years, in spite of the savings measures, can be explained by the tenants' energy and water consumption, which sometimes exceeds the savings achieved in the buildings through the investments.

We work closely with tenants throughout the life cycle of the investment and cooperate in improving environmental issues,

for example, by financing energy-efficient solutions.

During 2016, the energy management of Ilmarinen's properties will be handed over to a new energy manager. During 2016, we will have a long-term energy-efficiency plan drawn up for each property with the goal of further improving the management of energy savings measures and of ensuring that energy issues are taken into account in connection with all repairs. We will improve the management of daily energy consumption by connecting the most significant properties to the energy manager's remote management system. For 2016, projects in the planning phase include, among others, the ESCO project aimed at energy savings in the Graniittitalo building and the installation of a 300-kWp solar power system on the roof of Ilmarinen's office building.

Social impacts of real estate investments

We own several buildings that are integral to the cityscape, in particular in central Helsinki. When renovating buildings, we take into account their cultural values and impacts on communities. We feel that the importance of these aspects has grown in recent years. During building projects, we collaborate closely with authorities. However, it is more difficult to identify the cultural or emotional value of buildings that are not directly protected under the town plan or the Land-Use and Building Act, as we learned from the Maxim cinema case.

We were planning to convert the Maxim cinema building in Helsinki into a hotel, but as a result of the dialogue held with the national movement to save Maxim we decided to preserve the auditoriums and to even add a new one. However, we have to comply with the statutory requirement concerning profitable and secure investing also in real estate investments, just like in any investment operations. To meet the profitability requirement, the Maxim cinema building will also house hotel flats alongside the cinema.

Another topic related to the use of real estate that sparked social debate in 2015 was the establishment of reception centres for asylum seekers in Ilmarinen's properties. We charted our vacant buildings as the need emerged in Finland to find accommodation for asylum seekers at short notice. We rented two properties to Luona, which has overall responsibility for the operations of the centres in the buildings. One of the buildings was acquired by Luona's parent company in 2015.

Property development

The experts in charge of executing real estate business operations have drawn up design guidelines for property development, which guide the management of environmental issues around property development. We always seek the best expertise in property development and select our co-operation partners on a case-by-case basis.

As property developers, we require a LEED Gold or corresponding environmental label at the very least. The label sets strict requirements on the selection of building materials, energy efficiency, water con-

sumption, indoor air quality and the location of the building, for example.

During 2015, four buildings developed by us were completed: an office building in Oulu, a logistics centre in Tuusula, a shopping centre in Lappeenranta and a hotel in Helsinki. Hotel Indigo Helsinki was the first hotel in Finland to be granted LEED Gold certification. The logistics and shopping centre buildings also received LEED Gold certification and the office building achieved LEED Platinum status, the highest accreditation for environmental performance. In addition, the Puuvilla shopping centre in Pori, completed in 2014, was granted LEED Platinum status in the beginning of 2016.

In addition to LEED certification, we require all of our service providers to abide by their contractor's liability, recruit foreign workers in accordance with the Finnish collective agreements, combat the grey economy and adopt safe working practices. We are involved in developing these practices in the real estate and construction industry, for instance, by participating in the working groups of the construction sector association RAKLI and taking part in public dialogue. We also monitor occupational health and safety indicators in property development.

ATTRACTIVE EMPLOYER

ENERGISING WORKPLACE

Our goal is to offer the best customer experience in the earnings-related pension sector. We believe that how employees experience their workplace is directly reflected in the customer experience – satisfied employees are thus a key in achieving our goal. Energising our work community is one of the four focal areas of Ilmarinen's strategy for 2016–2020.

We want to be a role model in how work and the work community can support people's activeness. This target is supported by, among other things, our modernised premises, which became fully operational in the beginning of 2016. The multi-purpose office space offers functional solutions for various work situations. Its primary objectives are to support activeness and well-being while promoting interaction and a culture of continuous improvement. We also wanted to make mobile work easier for our personnel, which is why we significantly increased the use of mobile tools in 2015. For many, moving out of their own office was a major change, preceded by a lot of uncertainty. However, surveys show that the majority of the employees are pleased

with the new premises in particular in terms of their brightness, their look that is in line with the brand and the possibility to rapidly exchange information and views on matters at hand.

The way the employees feel about their work community also affects how innovative Ilmarinen is and how smart the practices are that we create together. Energetic and thriving employees help Ilmarinen grow profitably and operate productively and efficiently.

Employees' experience of the work community on a good level

An energising workplace requires a well-functioning and engaging corporate culture, good leadership and the ability to lead oneself. We at Ilmarinen abide by our own leadership and work community principles. The annual work-atmosphere study shows that these principles have been assimilated well.

Based on the results of the employee survey, the score given to supervisors by employees concerning the implementation of the leadership principles remained at a high level in 2015, equalling 3.9 on a scale

of 1–5. Supervisors received especially good feedback for supporting success, for fairness and for encouraging thinking outside the box, all of which achieved a score of more than 4. For a few years, we have also monitored, through the work-atmosphere study, how close and reliable the employees consider the company's management to be. The index has risen from year to year but still remains an area in need of improvement. We have, for example, initiated so-called quarterly coffee meetings where the President and CEO shares information about current topics.

We also monitor how our work community principles come to life in day-to-day work. According to the results, the jointly agreed principles are successfully implemented: on a scale of 1–5, the implementation of the work community principles was given an average score of 3.8 in 2015. The respondents gave particularly high scores to the work community's positive team spirit, customer orientation and compliance with values and ground rules, all of which were scored more than 4.

In addition to the leadership and work community principles, the work-atmosphere



study depicts the employees' experience of their own work and Ilmarinen's employer image. On a scale of 0–5, the overall score from the employee survey was 3.8 in 2015, which is close to the previous year's good level. However, as the survey was slightly modified, the results are not fully comparable. According to the employee survey, two areas are particularly strong at Ilmarinen: the employees are firmly committed to the organisation and find their work meaningful.

Based on the employee survey results, the equal and fair division of work tasks in the work community and genuinely listening to the employees in decision-making, among other things, were identified as improvement areas. Ilmarinen's Executive Group handles the results as soon as they become available and decides on improvement actions and related targets. To support monitoring, we carry out quicker and lighter pulse measurements if need be.

All in all, our personnel satisfaction is high: Ilmarinen employees remain with us for an average of 18 years. In 2015, the personnel turnover among our permanent employees was only 5.5% and our employees retired at the age of 63.3 on average.

ILMARINEN'S PERSONNEL TURNOVER 2015 (G4-LA1)	Total	Permanent	Fixed-term
New employment relationships	41	16	25
Ended employment relationships	48	30	18

RETIREMENT AGE OF ILMARINEN EMPLOYEES	2015	2014	2013
Average retirement age	63.3 years	62.6 years	63.3 years

NUMBER OF TRAINING HOURS REPORTED BY ILMARINEN EMPLOYEES 2015* (G4-LA9)	2015
Entire personnel's average training hours per year	13 h/person
Women's average training hours per year	15 h/person
Men's average training hours per year	10 h/person
Executive Group members' average training hours per year	8 h/person
Middle management's average training hours per year	12 h/person
Group supervisors' average training hours per year	13 h/person
Salaried employees' and specialists' average training hours per year	19 h/person

* The figures only take into account training reported by personnel. The personnel do not report on all of the training courses that they participate in, especially when the training is provided by external parties.

In calculating the retirement age, we take into account all types of pension.

Focus on energising the workplace

Ilmarinen's management is committed to developing the work community. In 2016, the executives' scorecards contain an index compiled based on the work-atmosphere survey, showing the development of the work community's energy level. The measures related to energising the work community have been compiled into a development programme that contains a broad spectrum of measures – from reviewing the management system to exercise and healthy food

options. We also plan to elucidate and streamline all of the principles that guide our operating culture during 2016. If they were more concise, we believe they would guide our operations more efficiently.

Ilmarinen's investments in occupational healthcare have traditionally been significant. In future, one of the indicators used to measure the effectiveness of our work-community energising programme will be the health percentage of our employees, i.e. the number of persons who have not been absent from work due to illness at all during the reporting year.

Launched in early 2016, Wauhdittamo is another initiative aimed at supporting the energising work community. It is a new way to create and process innovations that improve our operations. In a couple of weeks, our employees generated some 300 ideas, from which we will screen the ones that will be implemented.

Continuously developing competence

The competence development methods recommended at Ilmarinen are based on the idea that 70% of learning consists of learning on the job, 20% of model learning (e.g. feedback, mentoring, coaching) and just 10% of traditional training. We encourage our employees to build on their competence while working by, for instance, following the news and training offering in their own sector. We arrange actual training sessions based on identified needs and also have them tailored to our employees' requirements. We have become aware that training tailored to actual needs is much more effective than choosing one of the ready-made training courses on offer. Employees can also take the initiative and, after agreeing with their supervisor, participate in training courses offered by external service providers that cater for the needs of their job.

All new employees participate in onboarding sessions for new hires where Ilmarinen's executives explain Ilmarinen's

role as part of the earnings-related pension system, products and services, leadership and HR policy and other important aspects of our business. In 2015, new hires gave these sessions an average score of 4.5 on a scale of 1–5. In 2015, we also organised a training package geared towards making day-to-day work smoother by going through working methods and tools that save time, improve co-operation and increase the efficiency of meetings. A total of 377 Ilmarinen employees participated in this training and gave it an average score of 4.2 on a scale of 1–5. Each of our employees spent an average of 13 hours in various training events in 2015.

In 2015, we also offered supervisor coaching, mentoring, coaching in presentation skills and in giving feedback, training to strengthen earnings-related pension and insurance expertise and training in the use of the new pension processing system. In 2016, we plan to provide at least training in presentation skills, coaching and training in technical tools.

PROMOTING DIVERSITY

We have a broad view of diversity; for us, it encompasses, in addition to gender equality, aspects such as taking into account employees with partial work capacity, from different cultural backgrounds or of different ages in leadership and personnel planning. We believe that the different competencies and capabilities, backgrounds and characteristics of employees are strengths that improve the company's innovativeness and earnings power.

We take diversity into account in our personnel planning. Successful management of diversity is an important part of HR management. In 2015, we focussed particularly on promoting career opportunities for women by participating in Dialogi, a project aimed at promoting female leadership. Thanks to the Dialogi project, we identified improvement areas which we will now address. Our list of improvement areas includes identifying the potential of employees, doing away with the obstacles of job rotation, supporting female expertise and reporting on women's career development. The development targets have been incorporated into the equality plan for 2016. As a result of the Dialogi project, we also launched our own inter-company mentoring programme targeted at women together with Elisa, Fujitsu, RAY, Skanska and Wärtsilä.

In 2016, we will draw up our first equality plan required under the Non-discrimination Act. The equality plan will be handled in the Interaction Committee and approved by the Executive Group.

Diversity at Ilmarinen has thus far developed fairly slowly due to the low personnel turnover. However, gender equality is already at a good level. At Ilmarinen, there are almost as many women in executive positions as men: exactly half of the Executive Group members are women and women hold 46% of the middle management positions. At the group supervisor level, however, women by far outnumber men, at 71%. This percentage is in line with the overall gender distribution of our employees: women account for 66% of our personnel and men for 34%. On the other hand, women are thus far less represented in the company's governing bodies: women account for 21% of Ilmarinen's Board of Directors and for 18% of its Supervisory Board.

The tables describe the number and distribution of Ilmarinen employees in terms of the employment relationship, employment contract, gender, age and organisation level. At the end of 2015, Ilmarinen had a total of 573 permanent and fixed-term employees and their average age was 47 years.

NUMBER OF EMPLOYEES BY EMPLOYMENT TYPE AND EMPLOYMENT CONTRACT 2015 (G4-10)	Total	Women's share	Men's share
Permanent employment contracts	542 (95%)	357 (66%)	185 (34%)
• Permanent, full-time employment contracts	492 (91%)	316 (64%)	176 (36%)
• Permanent, part-time employment contracts	50 (9%)	41 (82%)	9 (18%)
Fixed-term employment contracts	31 (5%)	19 (61%)	12 (39%)

GENDER DISTRIBUTION OF ILMARINEN'S EMPLOYEES AND GOVERNING BODIES 2015 (G4-LA12)	Total (number)	Women's share	Men's share
Entire personnel	573	376 (66%)	197 (34%)
Salaried employees and specialists	500	336 (67%)	164 (33%)
Group supervisors	24	17 (71%)	7 (29%)
Middle management	41	19 (46%)	22 (54%)
Executive Group	8	4 (50%)	4 (50%)
Board of Directors	15	3 (21%)	12 (79%)
Supervisory Board	27	5 (18%)	22 (82%)

AGE DISTRIBUTION OF ILMARINEN'S EMPLOYEES AND GOVERNING BODIES 2015 (G4-LA12)	Under 30 years (%)	30-50 years (%)	Over 50 years (%)
Personnel	4%	58%	38%
Board of Directors	0%	14%	86%
Supervisory Board	0%	21%	79%

RATIO OF ILMARINEN'S FEMALE AND MALE EMPLOYEES' REMUNERATION 2015 (G4-LA13)**Women's average share of men's remuneration (%)**

Executive Group (excluding President and CEO)	79%
Entire other personnel	74%

FAIRNESS OF REMUNERATION AND INCENTIVES

Due to the nature and scope of our basic task, many stakeholder groups are interested in Ilmarinen's remuneration and incentive practices. That is why it is important to communicate about them transparently. Ilmarinen's Board of Directors decides on the company's remuneration and incentive policy and systems. In 2015, the Board of Directors revamped the incentive systems with the exception of the incentives paid through the personnel fund. The incentive system is described on our [website](#).

According to the policy outlined by the company's Board of Directors, Ilmarinen's remuneration is competitive, fair and equal, steering and supportive. Incentives are also guided by the insurance sector's collective agreement which, apart from middle management and Executive Group members, covers the rest of Ilmarinen's employees, i.e. 91%.

The objective of the remuneration and incentive systems is to encourage employees and management to commit to Ilmarinen and to motivate them to reach the company's strategic goals and live up to its values. Our goal is for remuneration to be based on how demanding a position is and on personal performance and competence. This contributes to the fairness of the remuneration – seen from the perspective of equality between men and women, among other things. As a general rule, differences in the pay of male and female employees at Ilmarinen are attributable to differences in the demands of the positions.

We monitor the development of remuneration and incentives against peer groups annually. The results are reviewed by the Executive Group and the Board of Directors. Ilmarinen's Board of Directors also assesses the performance of the incentive systems on a yearly basis, and an in-depth analysis of the incentives is carried out at least once during each strategy period.

Remuneration of senior management, members of the Board of Directors and the Supervisory Board

We report annually the fees paid to the members of Ilmarinen's governing bodies and remuneration and incentives and supplementary pension benefits paid to the senior management on our [website](#).

Ilmarinen's Annual General Meeting decided in 2015 to keep the fees of the members of the Supervisory Board unchanged. The Chairman of Ilmarinen's Supervisory Board is paid an annual fee of EUR 5,000, the Deputy Chairman is paid a fee of EUR 3,800, and other Board members are paid EUR 2,500. The meeting fee for the Supervisory Board meetings and supervision events is EUR 500. Absence from the Supervisory Board meetings results in a deduction of EUR 750 per meeting from the annual fee. The Supervisory Board met twice in 2015.

Ilmarinen's Annual General Meeting decided in 2015 to also keep the fees of

the members of the Board of Directors unchanged. The annual fee of the Chairman of the Board of Directors is EUR 38,000, the fee of the Deputy Chairman is EUR 27,000, the fee of the Chairman of the Audit and Risk Management Committee is EUR 20,000, the members' fee is EUR 16,000 and the deputy members' fee is EUR 13,000. The meeting fee for the meetings of the Board of Directors and the Nomination and Compensation Committee is EUR 500. The meeting fee for the Audit and Risk Management Committee is EUR 750. The Board of Directors met 11 times in 2015.

In 2015, Ilmarinen's President and CEO Timo Ritakallio received a total of EUR 714,796.35 in annual remuneration consisting of the monthly salary including fringe benefits, annual bonus and the long-term bonuses for senior management. More information about the remuneration of senior management and the governing bodies can be found in the [report on remuneration 2015](#).

ETHICAL PRINCIPLES IN BUSINESS

COMPLIANCE

Good governance and sustainability are the foundation for Ilmarinen's operations. Complying with regulations, principles and values is an important part of all of the company's functions. This is particularly emphasised in the decision-making processes so that Ilmarinen's operations also appear sustainable and reliable in the eyes of stakeholders.

Ilmarinen has a full-time Compliance Officer. The task of the Compliance Officer is to support the management and Board of Directors in arranging reliable governance and to ensure compliance with regulations within the company. In organisational terms, the Compliance Officer falls under the authority of the Senior Vice President, Legal Matters, but reports directly to the Board of Directors, Audit and Risk Management Committee and the President and CEO – regularly and as required. The Board of Directors annually approves the compliance action plan and monitors its implementation.

Ilmarinen's way of operating is determined in the company's [Code of Conduct](#).

The Code of Conduct specifies, for example, that we maintain the equality and safety of our personnel, comply with good

insurance practices, condemn bribery, identify and prevent conflicts of interest, do not abuse insider information, take care of data protection, know our customers, carry out sustainable sourcing and engage in responsible co-operation in the earnings-related pension sector.

The Board of Directors has approved the Code of Conduct and the related internal guidelines, and the public principles and policies concerning our operations, which can be found on our [website](#).

Policies have been drawn up concerning, for instance, insider information, internal control, the sourcing policy and the anti-bribery principles and data processing.

Compliance with the Code of Conduct and the more detailed operating principles is required of each and every Ilmarinen employee. Training related to these has been arranged and, as of 2013, Ilmarinen has maintained statistics on the training in accordance with the compliance plan. In 2013, we organised 15 internal training events, attended by altogether 134 Ilmarinen employees, after which followed a two-year break in training. In 2016, the Compliance Officer will, once again, arrange Code of

Conduct training, which will apply to the entire personnel on a broader scale and, in future, to all new employees. In addition, the Compliance Officer will provide more in-depth training as needed and assistance in interpreting practical issues and the Code of Conduct and other operating guidelines.

In addition to training, the compliance plan for 2016 includes advice, guidance and control, in addition to the development of Ilmarinen's practices and the co-operation and reporting between units. Our goal is to develop standardised processes that facilitate everyday work in business operations.

Ilmarinen's Compliance Officer assessed that the company's overall risk level in 2015 in terms of compliance risks was moderate. Ilmarinen did not receive any fines or non-monetary sanctions related to failure to comply with legislation or regulations in 2015.

SUSTAINABLE CUSTOMER WORK

Sustainable customer work means following sustainable practices in customer acquisition and the treatment of all customers justly and fairly and in a manner that does not result in unjust benefits to anyone. We comply with good insurance practices in our operations.



In accordance with our sourcing principles, we base our business on market conditions that are compatible with fair practice. In addition our investments must meet the prerequisites for productivity and security.

More clear-cut regulation of well-being at work activities

Offering well-being at work services to customers is a traditional part of earnings-related companies' activities. Our well-being at work activities are targeted at reducing and preventing the disability risk of our client companies' personnel. The activities also involve a key societal objective: the lengthening of careers. Well-being at work activities must be appropriate and effective and we monitor the impacts of our well-being at work projects systematically.

During 2015, the Financial Supervisory Authority carried out a comprehensive inspection concerning earnings-related pension companies' well-being at work activities. According to the Financial Supervisory Authority, Ilmarinen's services are of a high quality. We received praise for setting down in writing the goals, principles and operating models for the activities and

monitoring their implementation. We have also monitored the effectiveness of our projects and achieved excellent results.

However, according to the Financial Supervisory Authority, earnings-related pension companies' practices concerning the financing of well-being at work projects vary, a risk-based approach does not steer the allocation of money and well-being at work activities focus too much on the acquisition of new customers. Based on the inspection, the Financial Supervisory Authority presented new regulations and guidelines concerning the management of disability risk in earnings-related pension companies at the beginning of 2016. In the future, well-being at work activities can be financed only through the disability risk cost component included in the TyEL insurance contribution. In addition, the customer's financial input into the work capacity improvement project must always be at least equal to the monetary input from the earnings-related pension company.

For years, we have been hoping for clear-cut rules for the well-being at work operations of earnings-related pension companies. The new regulations and guidelines by the Financial Supervisory Authority are, in our view, a step in the right direction. The regulation increases the reliability and transparency of the operations and boosts competitiveness through high-quality services in particular. A risk-based approach must always be applied from the making of an offer to the implementation of projects. We assess the

customer's situation both from the disability risk and personnel management and disability risk management perspective.

We have a good foundation from which to operate in the new situation. Ilmarinen's competitive advantages are strong expertise in reducing the disability risk of the client companies' personnel, building a better working life and the verified effectiveness and monitoring of services. The role of our specialists will continue to strengthen in customer work. It is likely that we will reduce our utilisation of external partners. In future, our services will focus on value created for customers through expertise, good networks and digital services.

During 2016, it is our goal to acquaint our entire sales personnel with corporate responsibility and with what it means in customer work. Customers' interest in corporate responsibility issues is growing and, if needed, we also raise sustainability issues in meetings with customers. We will also develop the risk-based approach and effectiveness of our well-being at work operations.

We assess the customer situation and risk in a committee, which has, to date, included representatives of the customer account and financial functions. We believe that the committee's role will grow in the future particularly when assessing customers' disability risk. We are now expanding the task and composition of the committee.

In addition we have long spoken in favour of the freeing up of price competition in the pension insurance sector. This would improve

the efficiency of the pension system and encourage companies to increase their competition through the quality of their services.

DATA PROTECTION

Data protection at Ilmarinen, generally speaking, means the non-disclosure of personal and company data. For us, data protection is especially important due to the large volumes of data we process and its confidential nature. Data protection is provided for by law and regulation is increasing in the future. The EU's Data Protection Regulation will be applied as of 2018. As a result of the regulation, Ilmarinen, as a registry keeper, will have many new obligations and any violations would have major administrative sanctions. Data protection problems would also damage the reliability of the entire pension system.

In addition to the Personal Data Act, we also apply sector-specific data non-disclosure provisions. Based on these, data pertaining to Ilmarinen, policyholders, the insured, pension applicants, pension recipients, partners and agreement partners must be kept confidential. We ensure that data protection is achieved through data protection procedures that secure information technology, premises security and the personnel's data protection know-how. These data protection procedures include, among other things, the identification of users through user IDs and passwords, access control and granting user rights based solely on work tasks. For the most part, our data

protection procedures focus on the prevention of data protection issues. We later verify from our IT system log management that the use of data has been appropriate. Our IT systems and work processes and methods must meet the demands of non-disclosure and good data management.

The business units are responsible for the implementation of data protection in their operations and, ultimately, Ilmarinen's management is responsible for the legality of our operations, also in terms of data protection. The technical implementation of data protection issues is coordinated by the Data Protection Manager and the Security Manager coordinates the protection of the premises. The Legal Department monitors legislative projects and provides the management and business operations with legal support in data protection issues.

In 2015, we did not receive a single complaint concerning the violation of a customer's confidentiality or the loss of customer data. However, at the beginning of 2015 a denial-of-service attack took place in data transmission, which also interfered with Ilmarinen's operations. We reacted to the attack by improving our anti-denial-of-service ability.

During 2015, we also anticipated the demands set by the EU's upcoming Data Protection Regulation on Ilmarinen. At year-end, we initiated a data protection review that will continue in 2016. The review will be used to assess whether our practices meet with the legislation's requirements and to identify development needs.

TRANSPARENCY



OPEN STAKEHOLDER DIALOGUE

Ilmarinen's operations have major societal significance. We take care of the social security of a key slice of the Finnish population, and as a major investor, our operations have a considerable impact on Finnish business and industry.

According to an established definition, stakeholders are all of the parties that the company's operations affect or whose operations affect the company. Due to the societal nature of our task, Ilmarinen has many kinds of stakeholders. For us to be able to improve our operations, we engage in open dialogue with our customers, their representatives and other stakeholders.

In addition to customers and our personnel, our key stakeholders include labour market organisations, societal decision-makers and officials because these groups affect the sector's laws or their preparation. Additionally, supervisory authorities play a central role.

We are also closely involved with the sector's interest groups. We participate actively in several working groups and committees of, for example, the Finnish Pension Alliance TELA, the Finnish Centre for Pen-

ILMARINEN'S STAKEHOLDER ENGAGEMENT (G4-24, G4-26, G4-27)

STAKEHOLDER	Stakeholder's key expectations	Interaction channels, frequency and measures
Customers	Best know-how in the sector. Manages issues openly, transparently and responsibly. Takes care of work capacity. Coherent and clear interaction and easy contacts.	Frequent meetings and co-operation with clients. High-quality work capacity services. Active development of customer services. Coherent customer material.
Personnel	Responsible personnel management, smooth interaction, equality, positive workplace atmosphere and working conditions as well as competitive remuneration.	Leadership that supports success and developing expertise. Clear goals, monitoring and rewarding. Comprehensive and evolving well-being at work activities. Close interaction.
Current and future pension recipients	Responsible and long-term management of statutory pension cover. Easy, coherent and fast pension service. Focussing efforts on the quality of working life.	High-quality customer service, providing understandable pension information, fast processing times, efforts to enhance work and securing pension assets. Continuous interaction through studies, surveys, events and customer service, among other things.
Authorities and decision-makers	Good co-operation and flow of information and interaction which facilitate decision-making. Common goal: decisions and reforms that benefit the entire society.	Open dialogue with authorities and decision-makers. Regular meetings and communication through various working groups and events.
Labour market organisations	Good co-operation and good flow of information to support decision-making and negotiations. Shared goal: ensuring a good level of pension provision and retirement age as well as keeping the system's costs at a reasonable level.	Communication through Ilmarinen's Board of Directors, Supervisory Board and Advisory Committees. Regular meetings and other close-knit communication through, for instance, various working groups and events.
Industry organisations	Good, open co-operation. Ilmarinen's expertise made available to the entire industry. Shared goal of ensuring the sustainability and effectiveness of the pension system.	Comprehensive co-operation with, for instance, the Finnish Pension Alliance TELA, The Finnish Centre for Pensions and the Federation of Finnish Financial Services. Channels include working groups, regular negotiation groups and various events.
Media	Openness of communications, reliability of information and quick service. Ilmarinen's expertise made available for the media: introducing new perspectives, active statements and making difficult issues easier to understand.	Open and active communication through various channels. Regular meetings and communication. Quick and open response to media requests.
Educational and research institutions	Ilmarinen's expertise made available to educational institutions. Offering summer jobs and internships. Shared research projects and open flow of information. Developing the pension system and increasing its prominence.	Co-operation with students, e.g. in thesis work. Taking part in various university and school events. Recruiting summer workers.
Civil society	Open and active dialogue. Responsibility and reliability of business. Offering Ilmarinen's expertise for use through various communication channels. Minimising misconduct and adverse effects.	Open and active communication and willingness to engage in dialogue with stakeholders. Interaction at, for example, various seminars and meetings, and in the social media. Interaction also through the traditional media
Investments and investment partners	Open communication, clear objectives, competitive investment terms, professional and long-term operations, fast response times to questions	Clear communication concerning investment criteria and the operations' objectives, coherent investment strategy, fast decision-making Interaction both regularly and as required.

sions, the Federation of Finnish Financial Services and the construction sector association RAKLI. In addition, Ilmarinen has representation in other parties such as on the Finland Chamber of Commerce's Legislation Committee and the Actuarial Society of Finland's Regulation Working Group.

As an active owner, we maintain contact with the companies we own in Finland and abroad. Due to our major societal impacts, we are regularly in touch with the media and participate in public dialogue in our role as a provider of earnings-related pension cover.

Actualisation of interaction and current issues

It is essential for us to examine our operating environment and understand which issues hold the greatest significance to our stakeholders and what is the best way to handle them. Ilmarinen's Senior Vice President, Corporate Communications and Human Resources draws up a quarterly review of what themes are current or rising on the agendas of various stakeholders. Based on the policies set by the management we decide which stakeholders we wish to engage with and on which themes. The interaction is systematically implemented by Ilmarinen's management and specialists and, where applicable, as a natural part of their work, the entire personnel. Based on surveys measuring reputation and the activeness of communication, our stakeholders appreciate Ilmarinen's way of interacting.

In 2015, our stakeholders showed interest in several themes. Our customers were particularly interested in the state of the economy and pension system and the analyses based on our expertise, in other words, that we share, for example, our insight into sustainability issues as an investor. Together with labour market organisations, we discussed the progress of the pension reform and its implementation, among other things. The media was interested in our investment operations, in particular real estate investments and the changes brought about by the pension reform. A focal point of NGOs were issues related to the sustainability of investment operations, in particular paying taxes.

Civil society was also concerned with issues related to real estate owned by Ilmarinen. In the case of the Maxim movie theatre, for example, we engaged in active dialogue with the national movement to save Maxim. The dialogue led to an entirely revised plan in which one more auditorium was added to the theatre dedicated to high-quality films.

In 2015, we also took an active role in preparing a national income register together with the Ministry of Finance and other pension sector institutions. When it materialises, the income register will significantly lighten the administrative burden of Finnish companies.

In addition, between 2014 and 2015, we mapped out the viewpoints of key stakeholders on different sustainability themes.

We used the survey as a basis for updating our sustainability focal areas.

In the future, it will be important in terms of developing stakeholder dialogue to consider, among other things, what opportunities digitalisation will bring with it.

CONSISTENT OPINION-BUILDING

We collaborate with supervisory authorities, the sector's interest groups and organisations. We also interact actively with decision-makers and labour markets organisations in order to reinforce the efficiency of the earnings-related pension system and to maintain a strong earnings-related pension cover. Due to Ilmarinen's considerable societal position, it is important for our messages to be uniform and our positions to be consistent.

Ilmarinen's specialists have considerable knowledge concerning the earnings-related pension sector, working life, the economy and investments. During 2015, we engaged in societal dialogue concerning, among other themes, the pension reform, the sustainability of the financial foundation of the earnings-related pension system, quality of working life, economic outlook, responsible investment, climate change and sustainable construction.

We often receive requests for statements related to proposals for amendments to earnings-related pension sector regulation, for example, from the Ministry for Social Affairs and Health or the EU. Ilmarinen's Executive Group responds to the key requests for statements. In 2015,

the statements had to do with the pension reform, among other things. In addition, Ilmarinen's specialists directly respond to statement requests that are related to the more technical aspects of their areas of expertise, such as construction.

We also actively monitor our operating environment and its changes. We have developed our operating methods related to opinion-building during 2015 in order to ensure the careful preparation of our position and the inclusion of key sustainability issues in our positions.

The Finnish Pension Alliance TELA, an interest group for pension insurers that manages statutory earnings-related pension cover, and the Federation of Finnish Financial Services (FFI) are important interest groups for us. We participate through the FFI only in statements concerning the earnings-related pension sector, and do not interfere in other financial sector matters. In labour market issues we operate in the FFI in the role of employer. Ilmarinen's President and CEO is Chairman of TELA's Board of Directors and a member of the FFI's earnings-related pension executive committee, as are the CEOs of other earnings-related pension companies. Both TELA and the FFI have special expert working groups, such as the FFI's sustainability working group, which involve Ilmarinen's experts.

In accordance with Ilmarinen's principles, we have not given financial support to political parties or made art or other purchases from them in 2015.

TRANSPARENCY OF TAXATION

Ilmarinen's tax footprint consists of the payment of taxes by our operations, our insurance and investment operations and the companies that we invest in. We promote transparent and sustainable reporting practices, not only in our operations, but also in those of our investees.

Pension system taxation follows the same principles in Finland as in many other countries. A common feature is that all countries wish to avoid overlapping taxation on pension savings and thus support the accrual of pension funds. Overlapping taxation would create pressure to increase pension contributions.

The earnings-related pension contributions paid by employers, self-employed persons and employees are deductible in income taxation. When an employee or a self-employed person begins to receive pension, he or she pays income tax on it. In 2015, Ilmarinen paid more than EUR 4.4 billion in pensions, of which close to EUR 1 billion in income tax was paid in the form of withholding tax.

Taxation of Ilmarinen's insurance and investment operations

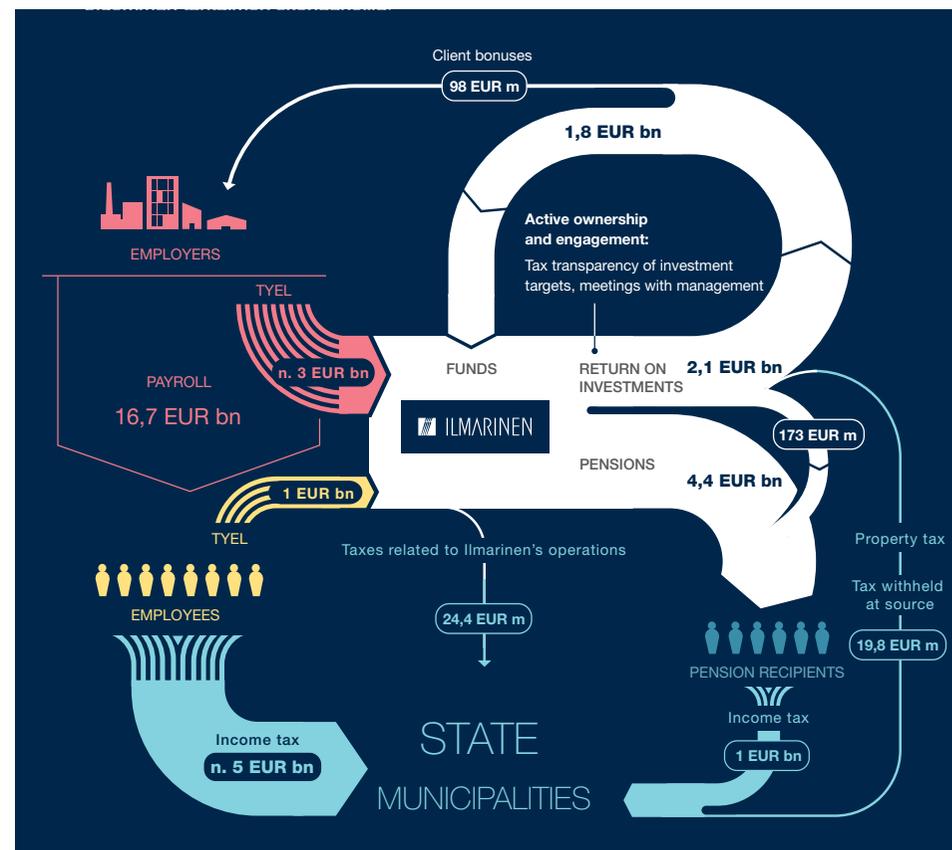
The operations of an earnings-related pension company are subject to business income tax. Pension companies receive returns on earnings-related pension contributions and investment operations. The majority of these returns are used to pay pensions to current pensioners. The

remainder of the returns are funded for future pensions. A pension company's liability for future pension promises forms the company's technical provisions. A return requirement is credited to technical provisions, which guarantees that the value of pensions is retained. Investment returns that exceed the return requirement accrue the solvency capital that acts as a risk buffer for investment operations.

Transfers of investment returns to the solvency buffer are also tax-deductible, which means that annual fluctuations in investment returns do not result in tax consequences. An earnings-related pension company's result in the profit and loss account is determined according to the technical bases confirmed in advance by the Ministry of Social Affairs and Health, and its amount is determined by a reasonable return calculated on the guarantee capital or other capital and reserves.

As a mutual company, Ilmarinen does not have any guarantee capital, and thus no profit distribution; instead, its capital and reserves belong entirely to the policyholders and the insured. Even though the calculated annual return is taxable income for the pension company, no tax payable has arisen, because the taxable income has been reduced by the tax buffers accumulated in the previous years.

Ilmarinen discloses all of its largest equity and fund investments with their domiciles in the notes to its consolidated financial statements. Investment returns



from abroad, such as dividends, are subject to tax withheld at source in accordance with the tax agreements, which is tax payable on the returns to the country in question. The amount of the tax withheld at source and the applicable tax agreements vary from country to country and depending on the investment. In 2015, we paid EUR 11.2 million in tax withheld at source in accordance with tax agreements.

Ilmarinen invests in non-listed foreign and some domestic companies as part of consortiums that include other Finnish and foreign investors. They often involve a tax specialist who plans an investment structure that is as tax-efficient as possible from the viewpoint of investors. This is a requirement of international investors in particular and the prevailing practice in the sector. The advance assessment of tax consequences

ILMARINEN'S INVESTMENT RETURNS AND TAXES 2015 (EUR MILL.) (G4-EC1)	Net return before taxes	Taxes withheld at source and real estate tax	Refunds of taxes withheld at source	Net return after taxes	Total taxes
Interest income	288.2			288.0	
Dividend income	309.2	12.3	1.1	298.0	11.2
Income from real estate	123.5	8.6		114.9	8.6
Other investment income/costs	-66.8			-66.8	
Changes in book value	1,945.1			1,954.1	
Change in difference between current and book values	-517.8			-517.8	
Return on investments, total	2,090.4	20.9	1.1	2,070.6*	19.8

* Net investment return at current value

is also important in order for us to be able to predict the net return on investment with regards to Ilmarinen's beneficiaries, i.e. current and future pensioners. Changing legislation will, however, be likely to present these practices in a new light and shape the practices in the sector.

In 2015, Ilmarinen, as a major owner of real estate, paid EUR 8.6 million in property tax. To the extent where the properties' use is exempt from value added tax (e.g. residential properties), the management costs and construction costs of properties are subject to so-called hidden value added tax, meaning value added tax paid on services and materials, among other things. The amount of hidden value added tax has not been monitored separately, because the number of taxable lease agreements varies monthly. To the extent where the operations are taxable, the received lease payments are subject to tax and the costs are deductible.

Taxation related to Ilmarinen's operations

We used EUR 150.7 million for our operating expenses in 2015. Approximately one third of the costs consisted of labour costs. We paid some EUR 13.8 million in withheld taxes and social security contributions on the wages and salaries and remunerations of our employees.

Pension companies' operations are predominantly free of value added tax. As a consequence, Ilmarinen also pays value added tax on its acquisitions but, unlike parties that engage in taxable operations, cannot deduct these paid taxes from the value added taxes it itself charges. That is why Ilmarinen's purchases included around EUR 10.2 million in hidden value added tax in 2015.

Forming of tax policy

During 2015, our specialists met with NGO representatives, researchers and tax specialists. The objective was to monitor

the changes brought about by legislative projects of the OECD and EU to taxation requirements and to gain more information on the expectations of stakeholders towards Ilmarinen. As we see it, the base erosion profit shifting (BEPS) carried out by the OECD and the regulations prepared by the EU and the corresponding amendments to legislation designed to curb aggressive tax planning can impact Ilmarinen particularly through fund structures and the stock companies that we own.

We observed that efficient tax footprint management and amendments to tax law would require active monitoring. During 2016, our goal is to build an opinion on what sustainable payment of taxes linked to investments means for Ilmarinen. For this purpose we have established a permanent tax working group consisting of representatives of Ilmarinen's investment, financial, sustainability and legal functions. The working group reports on its work to Ilmarinen's ownership policy management team.

Taxes related to Ilmarinen's own operations



OTHER SUSTAINABILITY INFORMATION

ILMARINEN'S SOURCING

Due to the service nature of our operations, Ilmarinen does not have long supply chains. Our main acquisitions are related to IT systems and the construction and maintenance of real estate. We have also purchased a considerable amount of various work capacity management services. Other significant acquisitions are consulting services, cleaning, security and catering and sourcing related to company cars. Additionally, we source other services and materials needed to carry out our work.

We apply our [sourcing policy](#) in all of Ilmarinen's sourcing operations.

We carry out sourcing based on good market practices and sourcing is, as a general rule, put out to tender. The selection criteria include the company's competence, reliability, sustainability, resources and competitive price of the delivery. There are ongoing efforts to develop the sourcing function and systematisation of the processes.

We apply the Act on the Contractor's Obligations and Liability when Work is Contracted Out when we function as a contractor or a customer when ordering renovation,

management or maintenance services. The Act may also be applicable in lease work agreement and other assignment or subcontractor agreements if the employees of the party carrying out the work on Ilmarinen's premises or at Ilmarinen's worksite, and the tasks to be carried out are related to tasks normally carried out in Ilmarinen's operations.

In 2015, Ilmarinen had approximately 120 main partners in various projects. In addition, we use specialised suppliers when necessary.

MANAGING SUSTAINABILITY

Ilmarinen's President and CEO and Executive Group are responsible for our key sustainability policies. At an operative level, sustainability has traditionally been coordinated by a committee of about 10 people, which has met at least biannually and more often if required. A main part of the activities has been the distribution of sustainability information concerning different functions throughout the organisation. We revamped this operating model in 2015 and are launching a new model during 2016.

Agile network of specialists

The Senior Vice President, Corporate Communications and Human Resources prepares sustainability issues for the President and CEO and the Executive Group. She is also part of the new core team for sustainability, which functions at the operative level together with a network of specialists responsible for Ilmarinen's material sustainability aspects.

In addition to the Senior Vice President, Corporate Communications, the operative core team for sustainability includes Ilmarinen's responsible investment specialist, sustainability communications specialist and accounting manager. The core team helps to identify and find solutions to material sustainability aspects. The team is also responsible for the coordination of internal corporate responsibility network meetings and annually specifies materiality, updates KPIs and reports on sustainability.

The persons responsible for Ilmarinen's sustainability aspects are part of the internal network of sustainability specialists. The network convenes as needed and based on themes so that related sustainability



aspects, such as personnel experience, remuneration and incentives and diversity are discussed among the specialists responsible for personnel sustainability.

Laws, policies and network co-operation support sustainable operations

We comply with applicable laws and regulations in all of our operations. Ilmarinen is politically and religiously independent. In addition to valid laws and regulations, we abide by the human rights determined in the UN's Universal Declaration of Human Rights, which include, among other things, freedom of opinion and religion, equality and the elimination of discrimination. As an employer, we follow the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.

We are also party to a number of voluntary commitments. We signed the United Nations Principles for Responsible Investment in 2006. In 2015, we signed the Montreal Carbon Pledge that deals with the reporting of the carbon footprint and the Paris Pledge with the objective of



limiting global warming. We support the CDP's reporting framework for reporting on impacts on the climate, waters and forests.

In addition, we have several policies that guide our business, such as a sourcing policy, obligations for combatting the grey economy and a communications policy. They are available on our [website](#).

Our investment operations are guided by a responsible investment policy and ownership policy.

As members, we participate in the activities of Finsif, Finland's Responsible Investment Forum, the FIBS Corporate Responsibility Network and the Climate Leadership Council (CLC). We ensure the eco-friendliness of our premises using the WWF's Green Office environmental management programme.

REPORTING POLICY

Sustainability develops continuously. In 2015, we reassessed the sustainability aspects that are material to Ilmarinen. In defining the material aspects we followed the GRI (Global Reporting Initiative) G4 reporting guidelines and, in addition to the General and Specific Standard Disclosures of GRI, we took into account the sector disclosures for Financial Services and Construction and Real Estate.

Our leading thought is that sustainability is tied in with all of our business. It is natural that a significant proportion of the material sustainability aspects stem directly from Ilmarinen's business operations. Sustainability is connected to all of Ilmarinen's strategic focal areas – digital services, profitable growth, successful investing and energising the work community. Some of the aspects were brought up by stakeholders. We assessed the materiality of the aspects based on how important they are to our stakeholders and how large an impact they have as part of our operations.

We always assessed the materiality of the aspects for the entire value chain. The end result of the analysis was the identification of altogether 17 material aspects with regard to Ilmarinen's sustainability. They are all described in this sustainability report together with any key figures and indicators.

The report has, for the most part, been created from the standpoint of Ilmarinen

Mutual Pension Insurance Company (parent company). If the calculation limit of a key figure contrasts with the parent company's limits, it is mentioned in the GRI Content Index in connection with the key figure.

Ilmarinen's consolidated financial statements cover the parent company and all subsidiaries in which the parent company, directly or indirectly, controls more than one-half of the voting rights. With the exception of the subsidiary that provides IT services for Ilmarinen, the company's subsidiaries are real estate companies.

The key figures for financial sustainability are based on Ilmarinen's financial reports, accounting and the financial statements, which are prepared in accordance with the Accounting Act, the Companies Act, the Insurance Companies Act, and the Act on Employment Pension Insurance Companies. Ilmarinen's financial statements also comply with the Ministry of Social Affairs and Health's decree on the financial statements of insurance companies and related consolidated financial statements, the accounting decree, the calculation principles and regulations approved by the Ministry of Social Affairs and Health, and with the regulations and guidelines of the Financial Supervisory Authority.

The key figures for environmental sustainability are reported in terms of domestic direct real estate investments and they have been obtained from service providers.

The key personnel figures for social responsibility cover the personnel of Ilmarinen's parent company and key figures are calculated based on data from the company's personnel data systems.

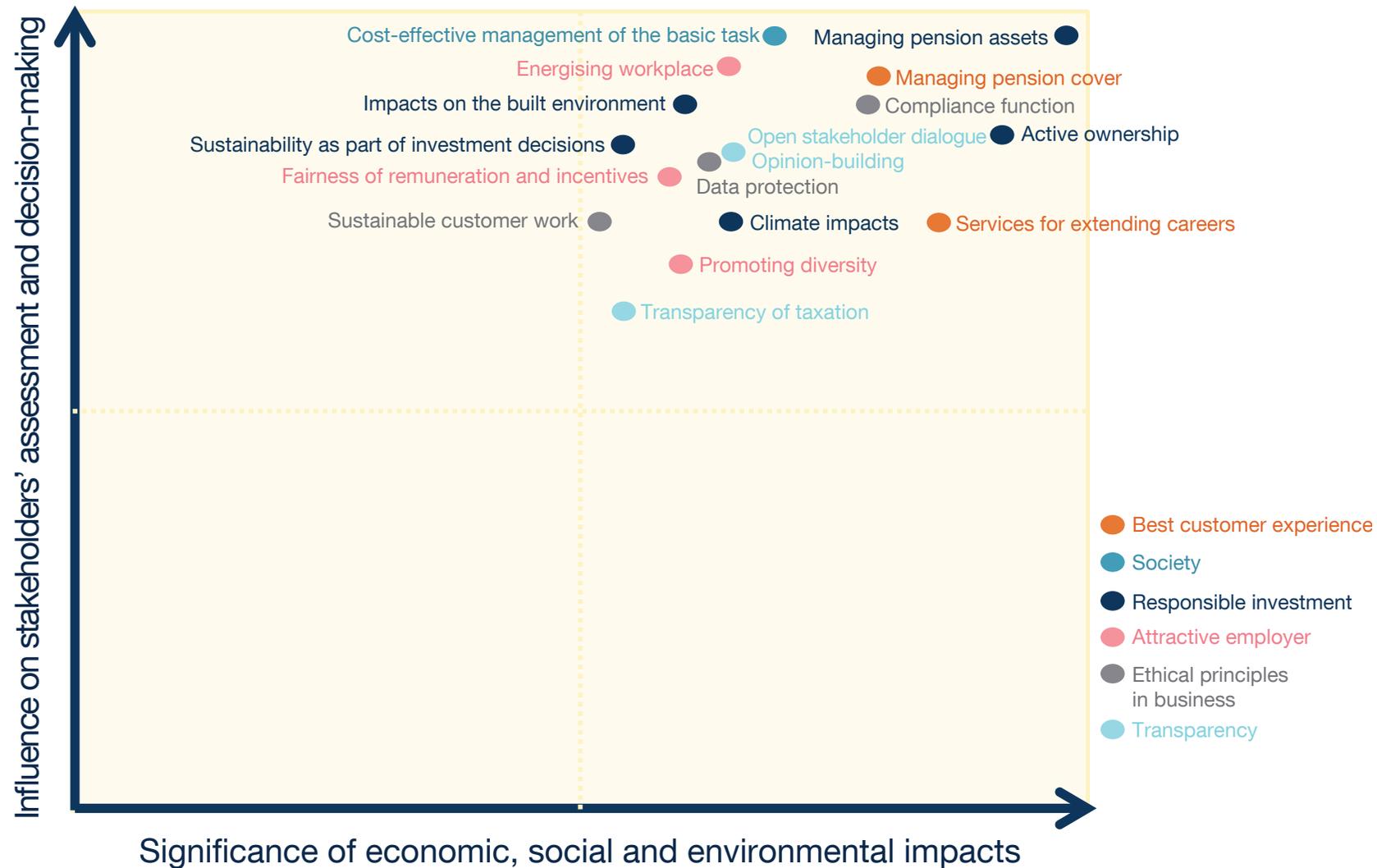
Sustainability reporting improving

We have reported on Ilmarinen's financial, social and environmental sustainability since 2007. This is the first time that we are reporting on our sustainability according to the guidelines of the Global Reporting Initiative (GRI).

We apply the Core GRI G4 guidelines in our reporting. The Specific Standard Disclosures are reported with regards to those aspects that are material to Ilmarinen. The report is published in Finnish, Swedish and English and it is only available online. The report is not verified externally.

The comparison of the report's contents with the GRI G4 guidelines is presented in the GRI Content Index.

Material aspects of sustainability at Ilmarinen



ILMARINEN'S GRI CONTENT INDEX

DESIGNATION	GRI CONTENT	REPORTING
GENERAL STANDARD DISCLOSURES		
Strategy and analysis		
G4-1	President and CEO's Review	Sustainability Report 2015, p. 2: President and CEO's review
Organisational profile		
G4-3	Name of the reporting organisation	Ilmarinen Mutual Pension Insurance Company
G4-4	Primary brands, products and services	Sustainability Report 2015, p. 4: Ilmarinen in brief
G4-5	Location of the organisation's headquarters	Porkkalankatu 1, FI-00180 Helsinki, Finland
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has operations or that are specifically relevant to the sustainability topics covered in the report	Sustainability Report 2015, p. 4: Ilmarinen in brief
G4-7	Nature of ownership and legal form of the organisation	Sustainability Report 2015, p. 4: Ilmarinen in brief
G4-8	Markets served	Sustainability Report 2015, p. 4: Ilmarinen in brief
G4-9	Scale of the reporting organisation	Sustainability Report 2015, p. 4: Ilmarinen in brief
G4-10	Number of employees by employment type and employment contract, region and gender	Sustainability Report 2015, p. 21: Promoting diversity
G4-11	Personnel covered by collective bargaining agreements	Sustainability Report 2015, p. 22: Fairness of remuneration and incentives
G4-12	Organisation's supply chain	Sustainability Report 2015, p. 29: Ilmarinen's sourcing
G4-13	Significant changes regarding the organisation's size, structure, ownership, or its supply chain during the reporting period	No significant changes.
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	The precautionary principle has been addressed in Ilmarinen's investment risk management according to statutory requirements.
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Sustainability Report 2015, p. 29: Managing sustainability
G4-16	Memberships in associations and advocacy organisations	Sustainability Report 2015, p. 25: Open stakeholder dialogue and p. 29: Managing sustainability
Identified material aspects and boundaries		
G4-17	Entities included in the organisation's consolidated financial statements or equivalent documents	Sustainability Report 2015, p. 30: Reporting principles and Report on operations and financial statements 2015, p. 110
G4-18	Process for defining the report content	Sustainability Report 2015, p. 30: Reporting principles
G4-19	Material aspects	Sustainability Report 2015, p. 30: Reporting principles
G4-20	Aspect boundary within the organisation for each material aspect	Sustainability Report 2015, p. 30: Reporting principles and p. 32: GRI content index
G4-21	Aspect boundary outside the organisation for each material aspect	Sustainability Report 2015, p. 32: GRI content index
G4-22	Effect of any restatements of information provided in previous reports	No restatements.
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	2015 is the first year in which reporting is based on the GRI guidelines.

Stakeholder engagement

G4-24	List of stakeholder groups engaged by the organisation	Sustainability Report 2015, p. 25: Open stakeholder dialogue
G4-25	Basis for identification and selection of stakeholders	Sustainability Report 2015, p. 25: Open stakeholder dialogue
G4-26	Organisation's approach to stakeholder engagement	Sustainability Report 2015, p. 25: Open stakeholder dialogue
G4-27	Key topics and concerns raised through stakeholder engagement	Sustainability Report 2015, p. 25: Open stakeholder dialogue

Report profile

G4-28	Reporting period	1 January–31 December 2015
G4-29	Date of most recent previous report	2015 is the first sustainability reporting period. The previous annual report was published on 30 March 2015.
G4-30	Reporting cycle	The report is published annually.
G4-31	Contact point for questions regarding the report or its contents	info@ilmarinen.fi
G4-32	GRI content index	Sustainability Report 2015, p. 32: GRI content index
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the report	The report is not verified externally.

Management

Governance structure and composition

G4-34	Governance structure and committees	Report on operations and financial statements 2015, p. 23: Governance and Sustainability Report 2015, p. 29: Managing sustainability
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Ethics and integrity

G4-56	Values, principles, standards and norms	Sustainability Report 2015, p. 4: Ilmarinen in brief and p. 23: Compliance
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DESIGNATION	GRI CONTENT	REPORTING	BOUNDARY DEVIATIONS
SPECIFIC STANDARD DISCLOSURES			
Disclosures on management approach			
	Generic disclosures on management approach (DMA)	Sustainability Report 2015, p. 29: Managing sustainability In addition, the management approach is described by aspect in connection with each aspect.	
Economic responsibility			
Economic performance			
G4-EC1	Direct economic value generated and distributed	Sustainability Report 2015, p. 4: Ilmarinen in brief and p. 11: Cost-effective management of the basic task and p. 26: Transparency of taxation	
Indirect economic impacts			
G4-EC8	Significant indirect economic impacts and their extent	Sustainability Report 2015, p. 8: Managing pension cover and p. 12: Managing pension assets	
Environmental responsibility			
Energy			
CRE1	Energy intensity of properties	Sustainability Report 2015, p. 17: Impacts on the built environment	The reporting covers direct Finnish real estate investments. Not reported for the parent company (Ilmarinen's office building).
Water			
CRE2	Water intensity of properties	Sustainability Report 2015, p. 17: Impacts on the built environment	The reporting covers direct Finnish real estate investments. Not reported for the parent company (Ilmarinen's office building).
Emissions			
G4-EN18	Greenhouse gas emissions intensity	Sustainability Report 2015, p. 16: Climate impacts	The reporting covers the investments in the direct equity portfolio. Not reported for the parent company (Ilmarinen's office building).
Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Sustainability Report 2015, p. 23: Compliance	

DESIGNATION	GRI CONTENT	REPORTING	BOUNDARY DEVIATIONS
SPECIFIC STANDARD DISCLOSURES			
Social responsibility			
Labour practices and decent work			
Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Sustainability Report 2015, p. 19: Energising workplace	
Training			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Sustainability Report 2015, p. 19: Energising workplace	
Diversity and equal opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Sustainability Report 2015, p. 21: Promoting diversity	
Equal remuneration for women and men			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Sustainability Report 2015, p. 22: Fairness of remuneration and incentives	
Society			
Anti-corruption			
G4-SO4	Communication and training on anti-corruption policies and procedures	Sustainability Report 2015, p. 23: Compliance	
Public policy			
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Sustainability Report 2015, p. 26: Consistent opinion-building	
Compliance			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Sustainability Report 2015, p. 23: Compliance	
Product liability			
Product and service labelling			
G4-PR5	Results of surveys measuring customer satisfaction	Sustainability Report 2015, p. 8: Managing pension cover and p. 9: Services for extending careers	
Customer privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Sustainability Report 2015, p. 24: Data protection	
Active ownership			
FS10	Companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Sustainability Report 2015, p. 15: Active ownership	The reporting covers direct equity holdings in listed companies.
FS11	Percentage of assets subject to positive and negative environmental or social screening	Sustainability Report 2015, p. 13: Sustainability as part of investment decisions	The reporting covers direct investments in listed companies and the bonds issued by them.



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