



**5x10**  
**EXPERIENCES**  
**WITH ILMARINEN**

ILMARINEN IN  
**2011**

 ILMARINEN



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**5x10 EXPERIENCES  
WITH ILMARINEN**

"Things took off with Ilmarinen from the very first. Thank you for that."

– *Self-employed person*

**5x10 EXPERIENCES  
WITH ILMARINEN**

"Everything is dealt with simply, with minimum effort and reliably. I can trust that my affairs are in order."

– *Self-employed person*

**5x10 EXPERIENCES  
WITH ILMARINEN**

"Ilmarinen contacts me actively, but not too often. Their service is competent and quick."

– *Executive, medium-sized company*

**5x10 EXPERIENCES  
WITH ILMARINEN**

"We have just met and updated each other – positive things came up."

– *Executive, large company*

## ILMARINEN IN 2011

Ilmarinen came into existence 50 years ago, concurrently with the Finnish earnings-related pension system. Today, the company manages the pension cover of 870,000 Finns.

Ilmarinen genuinely wants to do what is best for its clients and listens closely when they have something to say. This report contains a selection of customer feedback excerpts for you to read.

**5x10 EXPERIENCES  
WITH ILMARINEN**

"A big thank you to Ilmarinen for supporting supervisors doing a tough job!"

– *Employee of client company*

**5x10 EXPERIENCES  
WITH ILMARINEN**

"I've never met with unfriendly behaviour. I work in customer service myself so I know that it isn't always easy to be friendly."

– *Employee of client company*

**5x10 EXPERIENCES  
WITH ILMARINEN**

"As a total novice I received detailed and in-depth information concerning YEL insurance. Ritva's patient guidance was some of the best help I've received as a new self-employed person."

– *Self-employed person*

**5x10 EXPERIENCES  
WITH ILMARINEN**

"YEL is a large investment for a small company, but it pays itself back if you get sick or disabled."

– *Self-employed person*

**5x10 EXPERIENCES  
WITH ILMARINEN**

"Ilmarinen is a good workplace. People are friendly to one another and treat each other with respect."

– *Ilmarinen employee*

**5x10 EXPERIENCES  
WITH ILMARINEN**

"It's great that such an informative printed magazine like this exists to keep me up to date, because I'm not a fan of the internet."

– *Customer*

# ILMARINEN FOCUSES ON CUSTOMERS

Ilmarinen's task is to manage the earnings-related pension insurance of its client companies' personnel and the investment assets that cover the pensions.

Ilmarinen genuinely wants to do what is best for its clients. This is why the company listens closely when they have something to say. Listening creates understanding, based on which Ilmarinen can offer its clients the best solutions to suit their specific needs.

This Annual Report is also infused with customer experience: altogether 50 real-life stories can be found between its covers – corresponding to the number of years behind Ilmarinen.

Ilmarinen is part of building a genuinely better life – for our client companies, their employees, pensioners, you and me. All of us.

## ILMARINEN'S VALUES



### OPENNESS

- open to new ideas
- open to disclose
- open to listen

### RESPONSIBILITY

- responsibility for pension cover
- responsibility for our own work
- responsibility as a company

### CO-OPERATION

- together with clients
- together with partners
- as one Ilmarinen

# STRATEGY

The world is full of leading companies. Ilmarinen wants to be more than that: it wants to be number one.

The strategic targets for 2011–2015 are:

- to be the number one earnings-related pension insurer
- to be number one in long-term investment returns
- to be number one in cost-efficiency
- to be the number one workplace.

The strategic targets are translated into concrete actions through which Ilmarinen improves the lives of its customers. Successful customer encounters strengthen our corporate image which, together with our responsible operating practices, makes us unique in our field.



# RESPONSIBILITY IS INHERENT IN EVERYTHING WE DO

Responsibility is an integral part of Ilmarinen's operations: it is one of the company's values and has also been identified as one of the strategy's success factors. In addition to laws and regulations, Ilmarinen also commits to many voluntary responsibility principles.

Ilmarinen's corporate responsibility indicators have been defined in the Corporate Responsibility Programme. Covering all central aspects of corporate responsibility, they are an essential tool for monitoring our operations. More about indicators in the financial, social and environmental responsibility sections.

The Code of Conduct includes all of the guidelines and operational policies adhered to in Ilmarinen's operations.

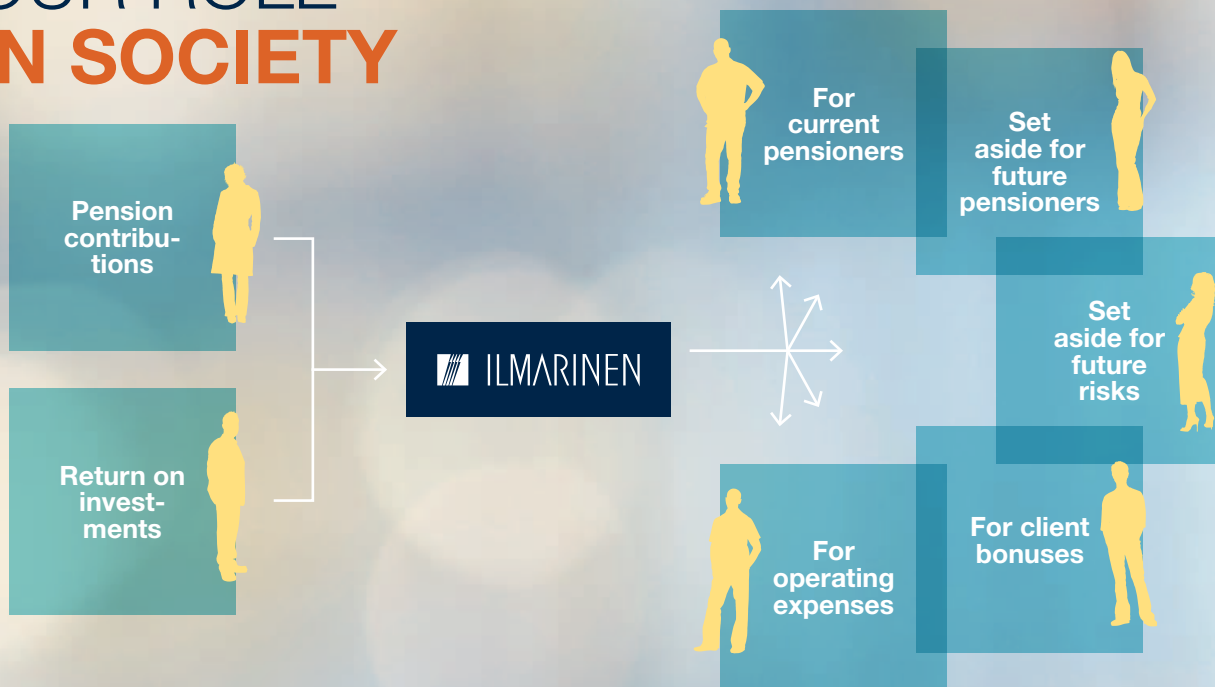
Ilmarinen is committed, among other things, to following good insurance practice, ensuring privacy in processing personal data and the confidentiality of insider information and requiring responsible operating practices from its service providers. The Code of Conduct concerns the entire personnel.

All of the above-mentioned documents are public and available on Ilmarinen's website at [www.ilmarinen.fi](http://www.ilmarinen.fi).

## KEY FIGURES

	2011	Change-%	2010	2009	2008	2007
Premiums written, EUR mill.	3,725.5	10.1	3,383.2	3,184.1	3,264.4	2,772.5
Pensions paid out, EUR mill.	3,568.9	9.2	3,267.5	3,059.1	2,703.3	2,398.4
Operating expenses covered by loading profit, EUR mill.	95.9	4.2	92.1	87.5	83.3	85.6
Technical provisions, EUR mill.	24,205.5	-1.8	24,657.4	22,609.7	20,612.8	22,661.1
Balance sheet total at current value, EUR mill.	30,736.2	-1.8	31,301.0	28,026.3	22,840.9	25,964.0
Solvency capital, EUR mill.	4,808.7	-26.9	6,578.2	4,876.9	2,673.0	6,068.8
% of technical provisions	21.1		29.7	24.0	14.0	32.5
in relation to solvency border	2.5		2.6	2.7	2.0	2.0
Investment, EUR mill.	27,484.9	-2.3	28,121.7	25,179.8	20,871.7	23,663.6
Investment return at current value, %	-4.0		10.8	15.8	-17.7	5.7
Pension recipients	302,093	2.1	295,827	282,982	273,605	262,971
TyEL policies	36,511	-0.7	36,767	35,840	35,793	34,113
Employees insured under TyEL	515,000	2.8	501,000	472,000	480,000	417,000
YEL policies	56,717	5.7	53,660	52,243	52,814	51,289
Permanent personnel, December 31	573	0.0	573	558	539	545

# OUR ROLE IN SOCIETY



## SOCIAL INCOME DISTRIBUTION STATEMENT

Income formation, EUR million	2011	2010
<b>Premiums written</b>	<b>3,725.5</b>	3,383.2
TyEL employers' contribution	2,688.0	2,461.0
TyEL employees' contribution	780.3	691.0
YEL self-employed persons	257.2	231.2
<b>Net investment return excluding operating expenses</b>	<b>-1,143.6</b>	2,746.7
<b>Other income and expenses</b>	<b>0.8</b>	0.5
<b>Total income</b>	<b>2,582.6</b>	6,130.5

Income distribution, EUR million	2011	2010
<b>To pensioners</b>	<b>-3,567.3</b>	-3,266.3
TyEL pension recipients	-3,307.8	-3,031.9
YEL pension recipients	-259.5	-234.4
<b>Provision for future pensions</b>	<b>-1,097.7</b>	-717.3
<b>Provision for future risks</b>	<b>2,204.8</b>	-1,996.7
Buffering against fluctuations in investment return	2,133.8	-1,900.2
Buffering against fluctuations in underwriting result	71.0	-96.6
<b>Client bonuses</b>	<b>15.8</b>	-18.9
Carried forward to the next year for client bonuses	-55.0	-71.0
Client bonuses paid	70.8	52.1
<b>Staff expenses</b>	<b>-42.7</b>	-40.3
<b>Other service providers</b>	<b>-88.2</b>	-87.7
<b>Taxes withheld at source</b>	<b>-6.8</b>	-1.8
<b>Interest on guarantee capital</b>	<b>-0.6</b>	-1.1
<b>Donations</b>	<b>-0.1</b>	-0.3
<b>Total income distribution</b>	<b>-2,582.6</b>	-6,130.5

# HUNDRED-YEAR HORIZON

“I’m sure I’ll never receive any pension” or “when it’s my turn, the retirement age will probably be 75 years” – comments like these come up time and time again in people’s everyday discussions.

It would be easy to shrug them off, as people are often half joking when they say things like that. But it can also be a real concern, especially for young people. That is why I would like to shed some light on three aspects: our responsibility which spans decades, our long-term investment operations and the continuous development of our services.

## OUR JOB IS TO SECURE LIVELIHOOD

It is our job to secure people’s livelihood after their working careers are over. This basic task has been the same for 50 years and will remain so for another 50.

Pension insurance operations have a different time span than the rest of the business world: if a young person today starts a career lasting 40 years and lives until the age of 85, we will pay his or her pension as far into the future as the 2070s.

In fact, an increasing number of young people will live longer than 85 years. What we also know is that the active age groups are becoming smaller and smaller. We are well advised to take care of the working capacity and employment of this declining group – unless we want to erode the financial foundation of society and increase pressures to raise earnings-related pension contributions.

We prepare for future pensions by funding part of each euro paid to

“Every encounter with a customer is a moment of truth for us. The customer’s perception of our service determines how good we are at what we do.”

Ilmarinen. These funds will also contribute to securing the livelihood of today’s young people once they reach retirement age.

## EXPERIENCE IS THE BEST TEACHER

People often tend to forget the hundred-year horizon of pension insurance business amid rapidly and steeply fluctuating economic cycles. But precisely in investment operations, it is important for Ilmarinen to look decades ahead and understand that some years in our history will be leaner than others. Tough times have taught us a lesson – we were better prepared and faced the 2011 European debt crisis with a higher solvency than when the financial crisis hit us in 2008.

We recorded a negative return on investments during both crisis years. However, thanks to our solvency remaining strong, we are not forced to sacrifice

our long-term returns to make quick adjustments. We are also holding on to our Finnish equities and shares, even though their development was relatively weak in 2011. We are increasingly interested in real estate, road construction projects and electricity grids, as they bring more stable returns even in times of turbulence.

## IT ALL COMES DOWN TO SERVICE QUALITY

In Finland, corporate decision-makers need not figure out what kind of pension cover to take out for themselves or for their employees; all they need to do is choose the insurance company. As the price and content of the service have already been decided upon by the legislator, it all comes down to service quality.

This is why every encounter with a customer is a moment of truth for us. The customer’s perception of our service determines how good we are at what we do.

Last year, we focussed strongly on developing our services to meet our customers’ needs. In order to evolve in the right direction, we need to know our customers. We need to have the ability to listen in order to understand them and know what really matters. Our objective is to increase the well-being of Ilmarinen’s customers by solving their problems or taking care of their affairs smoothly.

Our focus on listening and service experience has already been translated into highly successful customer acquisition.



## EVERYTHING CHANGES

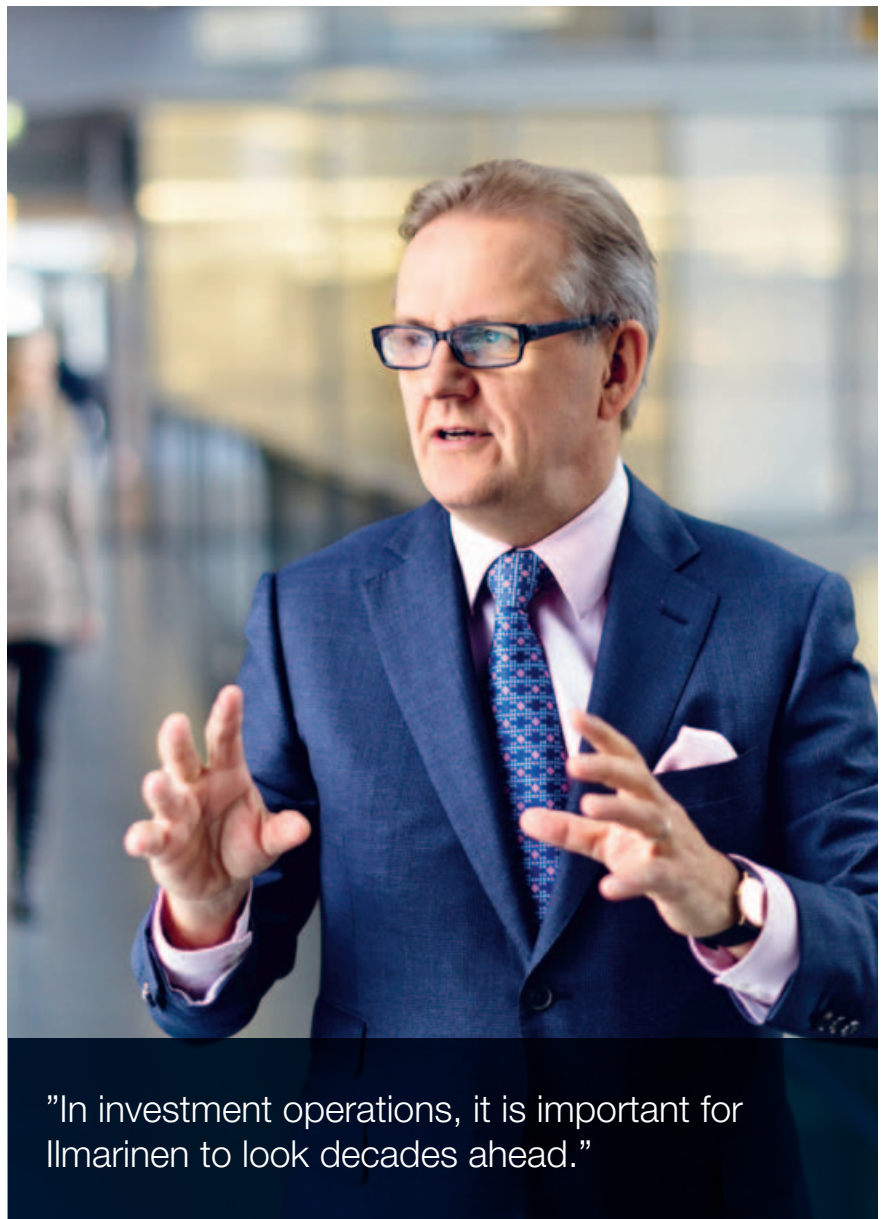
During the first 50 years of Ilmarinen's operations, almost everything has changed: many basic elements of the pension system, the ground rules of investment activities and the age structure of the population. And that is not all. Finns have begun to engage in a serious discussion about the quality of working life and the length of working careers. It is perfectly clear that new avenues will be needed in this area in order to secure the balance and the sustainability of public finances.

We are also looking forward to a legislative change concerning competition which would benefit our customers. Healthy and transparent competition in the pension insurance industry is in the customers' best interest. The envisaged company-specific pricing would encourage companies to boost their operations in the best possible way. Similarly, renewing the ground rules for well-being at work activities in pension insurance companies in a way that promotes competition will also eventually benefit our customers.

As a mutual pension insurance company owned by our customers, our goal is to produce social security arising from work wisely, flexibly and cost-efficiently – and by listening to our customers.



Harri Sailas  
President and CEO



"In investment operations, it is important for Ilmarinen to look decades ahead."

# FINANCIAL RESPONSIBILITY

Safe and profitable management of pension assets is the most important part of Ilmarinen's financial responsibility. The objective is to maintain reasonable pension insurance contributions and the competitiveness of the Finnish national economy. Ilmarinen has invested up to 39 per cent of its assets, i.e. EUR 10.6 billion, in Finnish society.

*The primary function of investment operations is to invest the pension assets in a profitable and sustainable manner. It is imperative that solvency remains at a sufficient level and that liabilities are covered at all times. A good ratio of operating expenses to the expense loading components indicates that Ilmarinen is keeping its operating costs in check.*

## FINANCIAL RESPONSIBILITY INDICATORS

In comparison: Pension Fennia, Tapiola Pension, Etera, Ilmarinen, Varma and Veritas Pension Insurance

## SOLVENCY RATIO

3<sup>rd</sup> place

in the industry  
(solvency ratio 21.1%)

**TARGET**  
BEST IN THE INDUSTRY

## RETURN ON INVESTMENTS

5<sup>th</sup> place

in the industry  
(return on investments -4.0%)

**TARGET**  
BEST IN THE INDUSTRY

## RATIO OF OPERATING EXPENSES TO EXPENSE LOADING COMPONENTS

2<sup>nd</sup> place

in the industry (ratio of operating expenses to expense loading components 74%)

**TARGET**  
BEST IN THE INDUSTRY



5x10 EXPERIENCES WITH ILMARINEN

"I hope that the pension money is invested wisely in these turbulent times. Stay positive!"

– *New pension recipient*

5x10 EXPERIENCES WITH ILMARINEN

"I'd like to receive better information concerning the accrual of my own pension. It is also pretty important that the paid contributions correlate at least somewhat."

– *Self-employed person*

5x10 EXPERIENCES WITH ILMARINEN

"A wonderfully different and thought-provoking presentation. It made me enthusiastic to postpone my own retirement indefinitely!"

– *Employee of client company*

# PRINCIPLES OF INVESTMENT OPERATIONS

## RETURN-ORIENTED, RESPONSIBLE AND LONG-TERM INVESTMENT OPERATIONS

The objective of Ilmarinen's investment operations is the highest possible return in the long term. Good returns on investments help to reduce pressures to increase pension contributions and allows for competitive client bonuses. However, the average risk of the investments should not be too high in relation to the company's risk bearing ability. A long-term approach is a primary requirement in investing pension assets.

Through active portfolio management, Ilmarinen strives for a better return than the overall market development. Ilmarinen aims to achieve this wisely, with a well-diversified investment portfolio, professional evaluation of investment targets and management of investment risks. Ilmarinen carries investment risk in such a way that it balances out with risk bearing ability and, on the other hand, so that the expected returns on the investments are as high as possible.

Ilmarinen wants to continue to stand out from its competitors with its competitive investment returns. To that end, the company is investing in strengthening the competitive factors of its investment operations, such as proactive risk management.

Ilmarinen's Board of Directors approves an annual investment plan which determines the weighting of the various asset classes, the return targets and the risk level of the investment operations. The average long-term expected return on investment assets is 6 per cent, and the expected standard deviation of the return is 8 per cent.

External investment service providers are used for certain investments, such as

emerging market funds and hedge funds. They account for about 15 per cent of the total investment assets.

## INVESTMENTS GUIDED BY OWNERSHIP POLICY

The success of the Finnish pension system depends on the development of the national economy and Finnish companies. That is why Ilmarinen strives to promote Finnish business and industry in its operations. In 2011, 39 per cent of the company's investments, or EUR 10.6 billion, were invested in Finnish society in one form or another.

Ilmarinen's ownership policy lays down the ownership principles approved by the company's Board of Directors. Active ownership promotes the positive development of the value of holdings and lowers risks. The ownership policy takes a stance on issues such as the administration of the companies it holds and their incentive schemes. Ilmarinen promotes the professional management and administration of the companies it owns by taking part in the selection of the members of the companies' Boards of Directors.

Ilmarinen also keeps in regular contact with the management of the companies it owns and attends their Annual General Meetings. During 2011, Ilmarinen's participation rate in the Annual General Meetings of the listed companies it owns in Finland was over 90 per cent.

## RESPONSIBILITY IS AN INTEGRAL PART OF INVESTMENT OPERATIONS

Ilmarinen invests pension assets responsibly, taking into account aspects related to the environment, social responsibility and governance issues.

The minimum requirement set on investment targets is compliance with leg-

islation and operating in accordance with international standards. If a company fails to comply with these, Ilmarinen initiates an engagement process with the company or renounces ownership. As a general rule, initiating an engagement process is more effective as a means of influence than selling the security.

In 2011, Ilmarinen was involved in over 500 engagement processes, a number of which led to significant results. Most of the efforts were focussed on discussions with the oil company BP Plc concerning the Deepwater Horizon oil spill in the Gulf of Mexico and the company's risk management. Ilmarinen has co-operated closely with international investors during the engagement process and managed to commit BP to improve its reporting, among other things.

Ilmarinen seeks opportunities to conduct versatile international co-operation in responsibility issues. It is involved in the Carbon Disclosure and Water Disclosure Projects aimed at mapping companies' carbon and water footprints, assisting investors in their decision-making. Deforestation issues have been addressed through the Forest Footprint Disclosure Project. Ilmarinen has a representative in the UN PRI working group on interest rate instruments and in the Integrated Business Reporting Committee of the International Corporate Governance Network.

In the comparison between the signatories to the UN Principles for Responsible Investment, Ilmarinen was once again ranked among the top quarter in its peer group comprised of 198 investors. The survey is carried out annually as a self-assessment.

## 5x10 EXPERIENCES WITH ILMARINEN

"Earnings-related pension companies should have no other principles than to continually ensure the profit-making investment of the assets placed in its care."

– Signed, Financial petty officer

# ILMARINEN SUCCESSFULLY NEGOTIATED ECONOMIC TURMOIL

In many ways, 2011 was a challenging year for investors. Ilmarinen still performed satisfactorily in a difficult investment year.

The return on the company's investment assets in 2011 were -4.0 per cent, or around EUR 1.2 billion, in the negative. In real terms, the return on investments stood at -6.7 per cent.

## A DIFFICULT INVESTMENT YEAR

Early in the year, the world economy was rocked by the uprising in the Arab world which increased oil prices and the earthquake and resulting nuclear power plant accident in Japan. During the summer, a weakened economic outlook in the eurozone increased concerns about the crisis states' ability to sustain debt and about the political uncertainties in crisis management. In addition to Greece, Irish and Portuguese long-term government bonds also showed an interest rate difference of more than 10 per cent compared to Germany. Market confidence was also eroded by the drawn-out negotiations concerning the United States' public debt ceiling and the downgrade of the US government's credit rating.

The price of oil rose to over USD 110 per barrel early in the year but declined to under USD 100 at the end of the year. Consumer price inflation in Europe rose from 2.2 per cent early in the year to 3.0 per cent by the end of the year.

In order to support the financial markets and economy, the Federal Reserve kept its key interest rate at 0.25 per cent for the third year in a row. The European Central Bank initially raised its key inter-

est rate from 1.0 per cent to 1.5 per cent, but returned to 1.0 per cent later in the year. In the U.S., long-term interest rates on government bonds fell during the year by about 1.4 percentage points to below 1.9 per cent. In Europe, long-term interest rates on German government bonds declined somewhat more moderately, ending up at 1.8 per cent.

Stock markets showed promising development in the early part of the year. In August, the trend turned quickly and the global stock market index ended with a decline of 5 per cent. In the United States, on the other hand, returns on equity managed a moderate 2 per cent rise. In Finland, equity prices declined 25 per cent, which was considerably higher than the average decline of 9 per cent in Europe. The emerging market equity index was down 20 per cent.

## ILMARINEN'S INVESTMENT PORTFOLIO REACTED TO MARKET TURMOIL

Ilmarinen continued its long-term investment policy also in 2011. Due to the market turmoil, the company decided, however, to change the structure of its investment portfolio by reducing its investments in listed equities and shares. At the end of the year, listed equities and shares equalled 33 per cent of the total investment assets and their return was -18 per cent.

Returns on private equity investments were up as private equity fund investments were realised and the equity was returned to investors. As a result of this, the return on Ilmarinen's private equity fund investments rose to 13 per cent. The company made new investments in private equity funds in the amount of EUR 297 million, representing 4.0 per cent of

the total investment assets at the end of the year.

Ilmarinen's absolute return funds, i.e. hedge funds, brought returns of 1.1 per cent. The share of hedge funds of the investment assets at the end of 2011 was 1.3 per cent.

Bonds generated a -1.1 per cent return in 2011. The eurozone crisis weakened the return on government bonds, which were 3.5 per cent in the negative. The return on bonds with credit risk was 1.4 per cent.

The fluctuations in the currency markets continued in 2011. The euro weakened 3.2 per cent compared to the dollar. The currency risk involved in Ilmarinen's currency denominated investments was reduced through currency hedges.

Companies' interest towards TyEL relending remained low during 2011. Ilmarinen's corporate credit portfolio at the end of 2011 stood at EUR 2.8 billion, which is slightly less than in 2010. New loans worth EUR 300 million were taken out, including EUR 32.1 million in TyEL loans. As companies' solvency problems increased, credit losses on the corporate credit portfolio rose to EUR 22 million and the total return on the credit portfolio after credit losses was 3.3 per cent.

## REAL ESTATE AND INFRASTRUCTURE INVESTMENTS WERE INCREASED

Ilmarinen increased its real estate investments and started up residential and commercial construction projects worth over EUR 100 million in 2011. Activity in the real estate market slowed down towards the end of the year. In terms of real estate investments, rent levels developed positively but the vacancy rates of office premises took an upward trend.

## 5x10 EXPERIENCES WITH ILMARINEN

"Sometimes it can be useful to discuss the adequacy of pension cover. Self-employed persons have a hundred other things to think about, so pension matters are easily ignored."

– Self-employed person

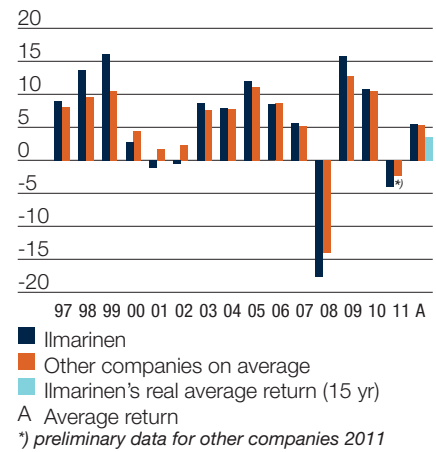
In 2011, Ilmarinen’s real estate investments generated returns of 6.4 per cent, of which direct real estate investments accounted for 5.9 per cent and indirect real estate investments for 8.9 per cent. The capital growth of direct real estate investments was EUR 18.4 million.

Ilmarinen also continued to invest in Finnish infrastructure. The most significant projects included part-ownership in

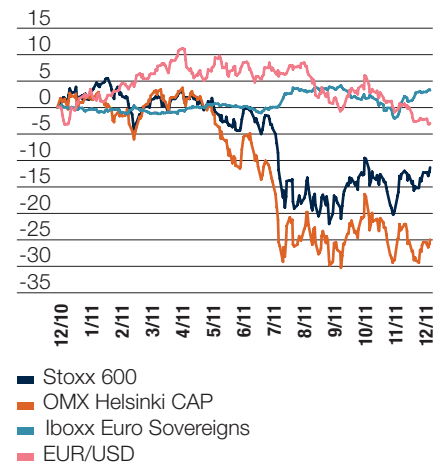
the E18 motorway project, as well as increased holding in electricity transmission system operator Fingrid and an investment in energy company Vattenfall.

Ilmarinen’s investments 31 Dec. 2011	Risk breakdown, EUR million	Risk breakdown, %	Return, %
<b>Fixed-income investments</b>	<b>14,243.1</b>	<b>51.8</b>	<b>-0.4</b>
Loan receivables	2,796.6	10.2	3.3
Public corporation bonds	2,194.3	8.0	-3.5
Bonds	361.0	1.3	1.4
Other money market instruments and deposits (incl. investment receivables and payables)	8,891.2	32.3	-10.9
<b>Equities and shares</b>	<b>8,168.1</b>	<b>29.7</b>	<b>-13.6</b>
Listed equities and shares	6,455.7	23.5	-17.6
Private equity investments	1,098.9	4.0	12.6
Unlisted equities and shares	613.6	2.2	27.0
<b>Real estate investments</b>	<b>3,237.1</b>	<b>11.8</b>	<b>6.4</b>
Direct real estate investments	2,736.5	10.0	5.9
Real estate funds and joint investments	500.5	1.8	8.9
<b>Other</b>	<b>1,836.7</b>	<b>6.7</b>	<b>31.9</b>
Hedge fund investments	345.3	1.3	1.1
Commodity investments	5.6	0.0	-
Other investments	1,485.8	5.4	-
<b>Investments total</b>	<b>27,484.9</b>	<b>100.0</b>	<b>-4.0</b>

Comparison of investment return, %



Market returns in 2011, %



5x10 EXPERIENCES WITH ILMARINEN

“Please take good care of our pension assets!”  
 – New pension recipient

5x10 EXPERIENCES WITH ILMARINEN

“I want to take care of as many things as possible through the online service, no matter what the hour.”  
 – Self-employed person

5x10 EXPERIENCES WITH ILMARINEN

“I value flexibility. In a seasonal business income can vary, so it is good that finances don’t get too tight and that I can be prepared for anything.”  
 – Self-employed person

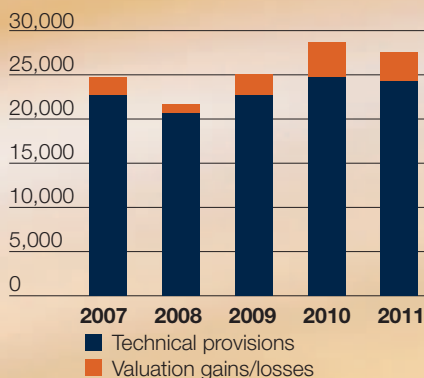
# EFFICIENT RISK MANAGEMENT MORE IMPORTANT THAN EVER

High-quality risk management is an essential part of Ilmarinen's management.

Measures are specifically targeted on managing risks that threaten the achievement of the company's strategic goals, result and solvency. The risks that weaken Ilmarinen's strategic success factors have been assessed and responsibility for them has been assigned to the members of the company's Executive Group. The effectiveness and development of risk management is regularly monitored by the company's Executive Group, the Board's Audit Committee and the Board of Directors.

Risk management at Ilmarinen is coordinated by a Risk Management Committee comprised of experts from the various units. The Committee assists the Executive Group in preparing the risk assessment for the company and prepares an annual risk management plan. The risk assessments are handled by the Board's Audit Committee and the Board of Directors.

Pension assets, EUR million



## A CHALLENGING YEAR FOR RISK MANAGEMENT

During 2011, the eurozone debt crisis in particular set high requirements on risk management. The lack of confidence which resulted from the problems in Greece and spread across the entire eurozone has also come as a surprise to international financial regulators, who are used to viewing the government bonds of developed states as largely free of credit risk. Therefore, it has not been possible to anticipate this lack of confidence, for example, based on the time series analysis of the financial markets. This is why risk analysis in investment operations has required larger internal scenario analyses to examine the impacts of economic and political factors on the development of the financial markets.

In Europe, there was already some softness in equity prices during the early part of the year, but at the end of July, market concerns about the management of the sovereign debt crisis in the eurozone became stronger. In August, equity prices plummeted and decision-makers in the eurozone had to convince the markets that the private sector involvement would only apply to Greek government bonds. Finnish equities and shares in Ilmarinen's portfolio suffered as international investors moved their investments closer to home.

Ilmarinen's solvency developed in line with the stock market and declined during 2011 to 21.1 per cent from the previous year's 29.7 per cent. The company focussed on equity risk management especially during the second half of the year.

## PROFIT AT CURRENT VALUE, 1 JAN.–31 DEC. 2011

EUR million	Underwriting business	Other business	Investment	Loading profit	Total
Premiums written	570.9	3,010.9	14.9	128.8	3,725.5
Net investment return at current value			-1,143.6		-1,143.6
Claims paid	-704.4	-2,862.9			-3,567.3
Change in technical provisions	81.7	-148.1	-603.2		-669.6
Total operating expenses	-17.5		-17.4	-95.9	-130.9
Other income and expenses				0.8	0.8
Taxes			-6.8		-6.8
<b>Profit at current value</b>	<b>-69.4</b>	<b>0.0</b>	<b>-1,756.2</b>	<b>33.7</b>	<b>-1,791.9</b>

Change in equalisation provision	71.0
Change in provision for future bonuses	1,153.9
Change in difference between current and book values	627.8
Change in accelerated depreciation	-0.1
Transfer to client bonuses	-55.0

<b>Net income for the financial year in the official income statement</b>	<b>5.8</b>
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## 5x10 EXPERIENCES WITH ILMARINEN

"Pensions must not decrease. I hope the money will be enough."

– New pension recipient

Active development of company-level risk management continued in 2011. The management of strategically significant risks was strengthened and consistent risk monitoring and reporting procedures were developed.

The Financial Supervisory Authority carried out an operational risk inspection within the company in the autumn of 2011. According to the inspection report, the Financial Supervisory Authority did not make any significant observations concerning the company's risk management principles or essential practices.

## MARKET SITUATION REFLECTED IN RESULT AND SOLVENCY

Ilmarinen's total financial result in 2011 was EUR -1,791.9 million, and the balance sheet total at current value was EUR 30,736.2 million. The return on investments after the items credited on technical provisions was EUR -1,756.2 million. Solvency capital decreased to EUR 4,808.7 million from EUR 6,578.2 million at the end of the previous year. The equity linked buffer fell to EUR -155.1 million as a result of declining share prices. Solvency capital was 21.1 per cent (29.7 per cent in 2010) of the technical provisions that define the basis of the solvency capital requirements, and was 2.5 (2.6) times the solvency limit.

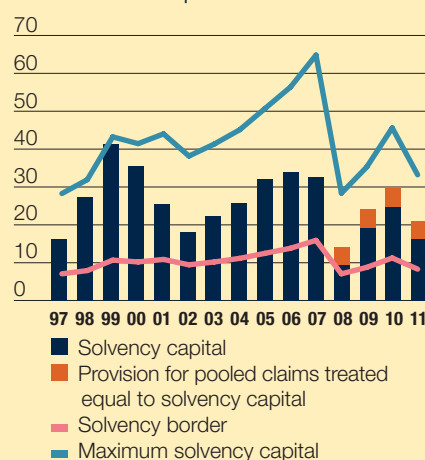
Ilmarinen's solvency capital is sufficient in view of the situation in the investment markets and enables the company to follow its long-term investment strategy. Technical provisions have been calculated prudently. Ilmarinen's equalisation provision is sufficient in relation to the extensiveness of the underwriting business, and the company meets the obligations imposed on it by law.

## BALANCE SHEET AT CURRENT VALUE, 31 DEC. 2011

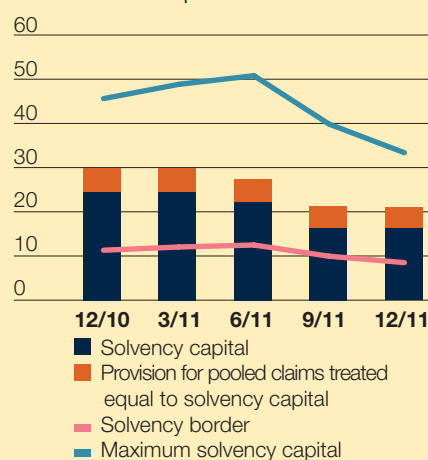
Assets, EUR million		Liabilities, EUR million	
Investment at current value	27,128.4	Capital and reserves after proposed distribution of profits	83.2
		Depreciation difference	2.5
Receivables	3,344.4	Difference between current and book value	3,378.9
Other assets	263.4	Provision for future bonuses	406.3
		Other solvency capital items	-13.4
			3,857.5
		Provision for pooled claims treated equal to solvency capital	951.2
		<b>Solvency capital</b>	<b>4,808.7</b>
		Equalisation provision	996.9
		<b>Capital base</b>	<b>5,805.6</b>
		Provision for current bonuses (to client bonuses)	55.2
		Equity linked buffer	-155.1
		Technical provision *)	21,950.9
		Other liabilities	3,079.6
<b>Assets total</b>	<b>30,736.2</b>	<b>Liabilities total</b>	<b>30,736.2</b>

\*) technical provisions excluding provisions for current and future bonuses, provision for pooled claims treated equal to solvency capital and equalisation provision

Solvency, annual  
% of technical provisions



Solvency, quarterly  
% of technical provisions





# HIGH-QUALITY SERVICES AND PARTNERSHIPS BROUGHT SUCCESS

In its jubilee year, 50-year-old Ilmarinen once again performed excellently in the competition between pension insurance companies for customers.

Sales generated good results, and the company's market position strengthened despite the fact that there were no major pension fund portfolio transfers, nor incorporations of state enterprises, which previously created competition potential for the private pension fund market.

## MARKET SHARE STRENGTHENED

Customers have the opportunity to change employment pension insurance companies once each quarter. The insurance transfers from other companies increased Ilmarinen's premiums written by EUR 55 million and its insurance portfolio by a total of 905 policies. Including the sales of new insurance policies, the premiums written rose to approximately EUR 184 million.

This good result not only indicates that Ilmarinen is the first choice for many new customers, but also that current customers wish to remain with the company. It is gratifying that Ilmarinen acquired a considerable number of new

corporate customers evenly from all across Finland.

Thanks to successful customer interaction, Ilmarinen's market share is expected to increase. Changes in market position within the industry are traditionally minor and hard work is required just to maintain the current position.

The company's market position was especially strengthened thanks to the systematic development of operations towards a more customer-oriented approach and the very good success in customer acquisition in 2010. In the pension insurance business, good sales performance, for the most part, only bears fruit the following year.

## CUSTOMER-FOCUSED FULL-SERVICE CONCEPT

Ilmarinen's key competitive advantage is high-quality customer service, the result of the company's efforts to increase the customer focus of its operations. Ilmarinen has come to know its customers better while at the same time harmonising its services and offering a more consistent level of quality. Good client bonuses and high-quality well-being at work services are further competitive advantages valued by customers.

Success in the face of competition also requires active sales work and good management of customer relationships. That is why Ilmarinen's co-operation with customers is more closely knit, systematic

**5x10 EXPERIENCES WITH ILMARINEN**

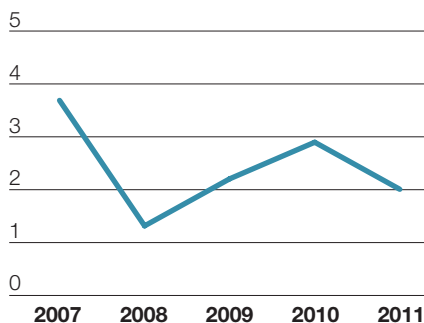
"Taking care of everything in one go has simplified operations and saved us time and trouble."

- Executive, large company

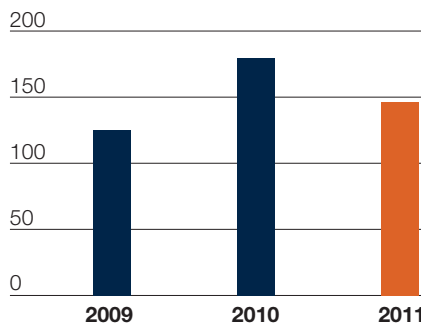
and goal-oriented than before. The larger market share indicates that customers value the new approach, which is reflected in customer retention.

In customer acquisition and customer relationship management, Ilmarinen cooperates with OP-Pohjola Group and Pohjantähti. High-performance full-concept service is an important criterion when choosing an employment pension insurance company. Ilmarinen has built an efficient and active process for customer relationship management, which has brought positive results. Customer satisfaction at Ilmarinen is on a very good level: corporate customers insured under YEL gave the company's operations the overall score of 8.15 and the TyEL customers of larger companies 8.28.

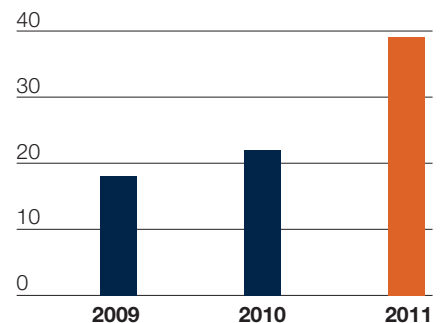
Client bonuses  
Bonus transfer from employer contribution under TyEL, %



Sales of new policies and net transfers, premiums written, EUR million  
Sales result of TyEL policies



Sales of new policies and net transfers, premiums written, EUR million  
Sales result of YEL policies



# SOCIAL RESPONSIBILITY

For Ilmarinen, social responsibility means providing earnings-related pension cover for more than 870,000 Finns. The matters of both current and future pensioners are handled with high quality – something Ilmarinen’s clients repeatedly thank the company for. Ilmarinen takes care of its own personnel by creating a work community which encourages people to succeed together. Ilmarinen’s well-being at work clients also benefit from this expertise.

## INDICATOR

**PROPORTION OF PENSION APPLICATIONS,**  
processed with no disruptions  
to the applicant’s income

94%

**TARGET:**  
Maintain the current good level

**PROPORTION OF PEOPLE REINTEGRATED INTO WORKING LIFE**

of all participants in rehabilitation programmes

70%

**TARGET:**  
Maintain the current good level

**DISABILITY PENSION DECISIONS UPHELD**  
by the appeals court

86%

**TARGET:**  
+/-3%-units compared to  
average 89% in private sector

**PERSONNEL SATISFACTION**  
in the Great Place to Work  
survey

3<sup>rd</sup> place  
in the large  
corporations category

**TARGET:**  
First place in Great Place to  
Work competition

**RETIREMENT AGE OF ILMARINEN’S EMPLOYEES**  
(three-year average) including  
disability pensions

62.7 yrs  
(2009–2011)

**TARGET:**  
At minimum the statutory old-  
age retirement age (63 years)

*Pension decisions need to be as timely as possible, so that no disruptions occur in the pension applicant’s income. Fairness is assessed in terms of whether the decisions are upheld by the appeals court. Ilmarinen also monitors the effectiveness of vocational rehabilitation, the retirement age of its own personnel and the company’s ranking in the Great Place to Work survey.*



# SMOOTH SERVICE FOR MORE THAN 870,000

Ilmarinen manages the pension cover of more than 515,000 employees and 56,700 self-employed persons.

At the turn of the year the company managed the TyEL insurance policies of altogether 36,500 employers. During the autumn, the number of pension recipients exceeded the 300,000-mark.

Ilmarinen's pension advisory services provided high-quality assistance to pensioners and soon-to-be pensioners. Our insurance services efficiently took care of advice for clients, the handling of insurance applications and taking care of annual business.

## USE OF ONLINE INSURANCE SERVICES INCREASING

In recent years Ilmarinen has improved its services by increasing the efficiency of the insurance management processes and their automation. Insurance matters can be dealt with easily and quickly through the online or phone services.

The use of online services grew from the previous year. The online services received high praise from users: employer clients gave the services an overall score of 8.70 and self-employed persons gave them a score of 8.79. The customer service number 010 195 000 menu was renewed in summer 2011. The new sim-

pler service menu has facilitated access to the service and received praise from customers.

Ilmarinen's portfolio increased by more than 7,000 new TyEL insurance policies for policy transfers and new businesses and more than 12,000 pension insurance policies for self-employed persons. The number of YEL insurance policies grew significantly due to a change in legislation, according to which shareholders need to insure their pensions according to the Self-Employed Persons' Pensions Act if they own more than 30 per cent of the share capital. Earlier YEL concerned self-employed persons with more than 50 per cent of the share capital.

## PENSION CLIENTS VALUE INDIVIDUAL EXPERT SERVICES

The employee pension record has become familiar to Ilmarinen's customers after its delivery to all employed persons began in 2007. Last year, Ilmarinen sent a record of accrued pension cover to altogether 726,000 people. Of these, 28,000 people made an environmentally friendly gesture and retrieved their records in electronic form through the online service.

Around 10,000 people requested an individual pension estimate for planning their retirement from our pension advisory services. A total of 48,000 clients estimated their own pensions through our online service.

Those who received pension decisions from Ilmarinen in 2011 gave the service an excellent overall score of 4.46 (on a scale of 1–5). Ilmarinen's top qualities were considered its expertise and service-mindedness. The most improved aspects, according to clients, are the informativeness and clarity of pension decisions and their attachments.

## BABY-BOOMERS INCREASE NUMBER OF APPLICATIONS

The baby-boomer generations are reaching the retirement age, resulting in increasing numbers of applications. In 2011 Ilmarinen made 22,000 new pension decisions, the same number as in the previous year. However, changes have occurred in the distribution of different pension types: old-age pensions have increased by 4 per cent, while part-time pensions have decreased by more than 40 per cent due to the increase in the age limit for receiving the pension. The unemployment pension is being phased out completely, resulting in only 300 related pension decisions last year.

6,600 disability pension decisions were made, which is on a par with the previous year's level. It is gratifying that an increasing number of applicants made use of vocational rehabilitation services. 1,800 vocational rehabilitation applicants received confirmation for support for changing careers or returning to work. The increase from the previous year was 18 per cent.

**FASTER PENSION PROCESSING**

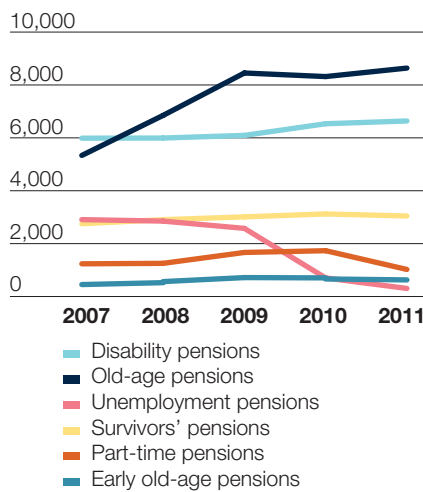
In processing pension applications, Ilmarinen pays special attention to speed and quality. The company has traditionally processed pension applications faster than the industry average. In 2011 the processing time for disability pension applications in particular was reduced by 13 days.

Ilmarinen measures the quality of the processing of pension applications by ensuring that no interruptions occur in the applicant's income. Ilmarinen has been successful in this: 94 (93) per cent of pension applicants received their pension decisions at the latest during the month in which their pensions began.

**PENSIONS PAID ON THE FIRST OF EVERY MONTH**

Ilmarinen paid pensions to 302,000 pension recipients. In paying pensions, the company transferred to the Single Euro Payments Area (SEPA). The pension recipients' payment account numbers were converted into IBAN numbers and extensive modifications were made to Ilmarinen's information systems and bank account numbers. We managed the changes well and paid the pensions according to our customer promise on the first payment date of each month of the year.

New pension decisions, amount



**5x10 EXPERIENCES WITH ILMARINEN**

"Things have been explained clearly, so that it's simple enough even for a layman like myself."  
 – Customer

**5x10 EXPERIENCES WITH ILMARINEN**

"It would be good to have an even more active approach to the start of the pension application process."  
 – New pension recipient

**5x10 EXPERIENCES WITH ILMARINEN**

"I would like to be able to check online what's happening with my pension application and when I can expect a decision."  
 – Customer

# WELL-BEING AT WORK AND REHABILITATION **LENGTHEN CAREERS**

The well-being of employees can be seen in the company's financial result. Thriving employees are motivated to perform high-quality and profitable work.

Around one third of new pension recipients are still forced to put an end to their career due to disability. Increasing well-being at work is essential to society, the employer as well as employees themselves.

Ilmarinen strives to prevent decline in working capacity in advance by systematically developing the well-being at work of client companies. The company offers its clients a broad range of competence and support for well-being at work management and development. Extending working careers is the result of a simple equation: better careers equal longer careers.

## **TOOLS FOR MANAGING WELL-BEING AT WORK**

By investing in well-being at work, Ilmarinen's clients save hundreds of thousands in costs related to sick leaves and disability pensions annually. Taking care of the well-being of employees also strengthens companies' ability to compete for a declining workforce.

Based on requests from our clients, tools were created for Ilmarinen's well-being at work services last year, which bound well-being at work management more tightly to the company's strategy.

The strategic management of well-being at work was also part of a broad internal training programme for Ilmarin-

en's well-being at work managers in which competence in well-being at work was honed to correspond even better with customers' requirements.

## **MOST DIVERSE WELL-BEING AT WORK SEMINARS IN COMPANY'S HISTORY**

Ilmarinen's extensive and diverse well-being at work seminars were well received by the company's customers. Topics such as good supervisory work, life changes and the improvement of personnel productivity were covered by leading lecturers in the 40 seminars held throughout Finland.

More than 2,000 representatives of Ilmarinen's client companies participated in the seminars. In addition to high-quality content and ideas for developing their operations, participants were given the opportunity to network and discuss the significance of well-being at work from different angles.

## **EARLY INTERVENTION ENSURES WORKING CAPACITY**

In 2011 the central theme for well-being at work operations was constructing an early intervention model suitable for companies. Together with its customers, Ilmarinen discussed how supervisors could identify the factors threatening employees' working capacity in time and how they could deal with these factors. Through the early intervention model constructed jointly with Ilmarinen, customers can decrease the number of sick leaves and achieve significant savings. For example, a one-per-cent decline in sick leaves in a company with 500 employees produces around EUR 167,000 in savings annually.

## **5x10 EXPERIENCES WITH ILMARINEN**

"I became healthier, more hopeful and my spirits and perception of professional competence rose."

– *Rehabilittee*

A significant increase took place in the number of consultations and coaching by Ilmarinen's well-being at work managers compared to the previous year. More than 1,000 tailored well-being at work projects carried out together with customers were ongoing last year.

## **REHABILITATION BOOSTS COMPANY'S RESULTS**

Through vocational rehabilitation, Ilmarinen supports the return to work of its client companies' employees as well as changes in workplace or profession when they cannot, due to their state of health, continue in their previous duties.

Employers, employees and self-employed persons are more aware of the opportunities offered by vocational rehabilitation than before. The rehabilitation option is discussed with clients whenever it is thought to prove useful to the client. The number of applications for vocational rehabilitation grew by 16 per cent from the previous year. Altogether nearly 2,200 vocational rehabilitation applications were processed in 2011.

When a suitable job in terms of the rehabilitee's health is found, the employee or self-employed person is able to continue in working life. This is how Ilmarinen can support employers in saving in pension costs and the proficient employee can continue to accumulate work experience.

### REHABILITATION PLAN STEERS REHABILITATION

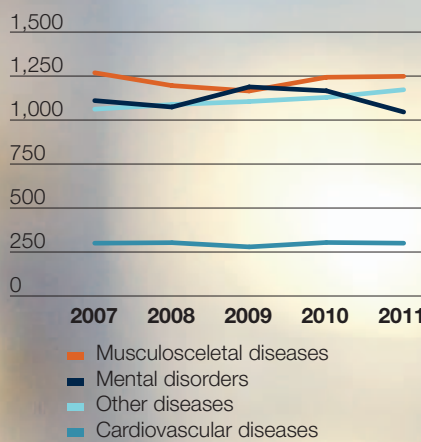
The rehabilitee's personal rehabilitation plan is drawn up together to suit the needs of both the rehabilitee and the workplace. In drawing up the rehabilitation plans, Ilmarinen continues to make more use of its national network of service providers, whose professionals support the rehabilitee by guiding and planning the practical implementation of the plan.

The prevailing trend for the past few years has been the increasing number of rehabilitees undergoing vocational retraining. Rehabilitation at the workplace is, however, still the best and most effective option for supporting continuing in working life.

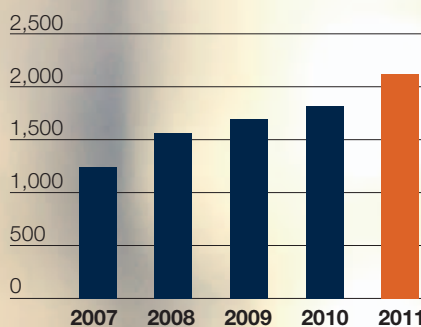
### REHABILITATION OPENS UP NEW POSSIBILITIES

At the end of the rehabilitation, Ilmarinen reassesses the rehabilitee's situation. The results of surveys show that vocational rehabilitation really helps to continue at work: In 2011, more than 60 per cent of those who had participated in vocational rehabilitation reported that they were still in employment or available to the labour market a year after having completed the programme. In addition, around 16 per cent of the rehabilitees are in part-time employment.

Grounds for granting disability pensions, amount



Rehabilitation applications via Ilmarinen, amount



### 5x10 EXPERIENCES WITH ILMARINEN

"I haven't been on sick leave once since the rehabilitation. I was able to change to a lighter job."

- Rehabilitee

### 5x10 EXPERIENCES WITH ILMARINEN

"Thank you for a rewarding and well-organised training event which provided me with a wealth of useful information that I can now pass on to my work community and apply in a variety of situations."

- Employee of client company

### 5x10 EXPERIENCES WITH ILMARINEN

"I've been able to assess my own working ability in practice as well as become more confident about coping at work."

- Rehabilitee

# GOOD LEADERSHIP ESTABLISHES FOUNDATION FOR POSITIVE CUSTOMER ENCOUNTERS

For a number of years now, personnel have assessed Ilmarinen to be a good workplace.

The results from Finland's Great Place to Work survey, in which Ilmarinen took part for the third time, proved that Ilmarinen is still among the top workplaces: Ilmarinen placed third in the large corporations category. The results show that personnel consider the workplace atmosphere to be positive and their work to be meaningful. The sample surveys concerning work well-being and workplace atmosphere conducted throughout the year also reveal that the personnel enjoy their work and feel good.

## HUMAN, BUT NOT SLOPPY, LEADERSHIP

Strong, success-oriented leadership is a factor which supports Ilmarinen's success. Even in the middle of demanding changes personnel have been satisfied with the leadership and supervisory work. For the third consecutive time the personnel's satisfaction with leadership improved in the supervisory work sur-

veys. The personnel are especially happy with the work of their closest supervisors: they set clear goals for the work and support the success of the work community.

As a continuation of the large changes in the organisation and operational model implemented during previous years, Ilmarinen wished to further develop its leadership. Ilmarinen's Executive Group and divisions' executive teams examined leadership during the reporting year. The executive teams assessed the operational models for leadership, simplified the roles of the executive teams and improved team work. Simultaneously leadership practices were made more assertive, strengthened and unified. Special attention was paid to performance leadership. The year-long development work culminated in leadership principles which will be introduced to the personnel at the beginning of 2012. The leadership development process will continue through personnel participation in the discussion concerning subordinate and cooperative skills.

Consistent, assertive leadership benefits the entire personnel and is the responsible way of operating. Human, but not sloppy, leadership ensures that all of the company's employees know what is expected of them and what they can in turn expect from their supervisors. Non-interference is not fair for anyone in the work community.

## ILMARINEN VIEWS THE WORLD THROUGH THE CUSTOMER'S EYES

Good leadership establishes the foundation for positive customer encounters. Strengthening customer-orientation and service expertise were the focus of developing the personnel's competence during Ilmarinen's 50th anniversary year. Over the following years Ilmarinen wishes to be more of a service organisation and view the world through the customer's eyes.

### 5x10 EXPERIENCES WITH ILMARINEN

"I find it delightful how diversely the field of well-being at work is examined."

– Employee of client company

### 5x10 EXPERIENCES WITH ILMARINEN

"The work we do is important and our operating practices are ethical. And in addition we have a great workplace atmosphere!"

– Ilmarinen employee

Smart operating models and the right attitude are prerogatives for successful customer encounters. Through several activities linked to the anniversary year, such as coaching, events and intranet interviews, the personnel reviewed customer-oriented operating models and discussed service-mindedness. As part of the new operational model, Ilmarinen's visual image underwent a transformation at the end of the year.

## REMUNERATION SUPPORTS OUTSTANDING ACHIEVEMENTS

In 2011 Ilmarinen renewed its annual performance steering and related remuneration. The target-setting connected with performance steering was defined

### 5x10 EXPERIENCES WITH ILMARINEN

"It's important to seek means to decrease costs. In addition to continuing individual careers, all structural solutions need to be considered."

– Executive, large company



in more detail to ensure that the targets set are stronger and more accurate in leading the way to common goals. The company wishes to encourage personnel to achieve outstanding results through remuneration. The personnel will earn their first bonuses according to the new remuneration system during 2012.

Long-term remuneration takes place through the personnel fund, through which remuneration was made even more encouraging, fair, objective and transparent. 2011 was the first full operational year for the personnel fund and the first earnings period for profit sharing.

### NEW TOOLS FOR DEVELOPING COMPETENCE

To support personnel management, Ilmarinen adopted a renewed development discussion model as well as a competence map. Discussions are oriented towards seeking the employee's strengths. The competence map reveals both strategic competences that bring competitive

advantages to Ilmarinen as well as professional competences. Setting targets for the upcoming year helps the personnel to work more clearly according to Ilmarinen's shared goals.

Ilmarinen also updated the orientation of new employees. Through the orientation, new employees are given an overall view of Ilmarinen's operations starting from an outline of the earnings-related pension system and pension insurance environment to Ilmarinen's identity and self-management.

### STABLE NUMBER OF EMPLOYEES

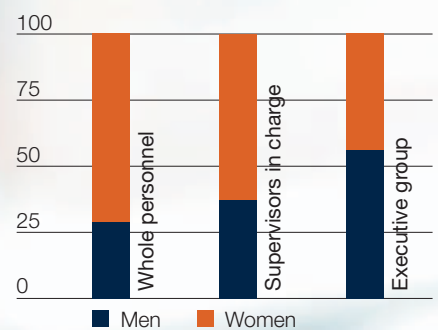
The number of personnel employed by Ilmarinen has remained stable for the past few years despite the growing scale of operations. In 2011, Ilmarinen employed 573 (573) permanent employees and 20 (16) temporary employees.

The employee turnover remained almost equal to the 2010 level. The employee turnover can be explained by the retirement of employees. Sick leaves

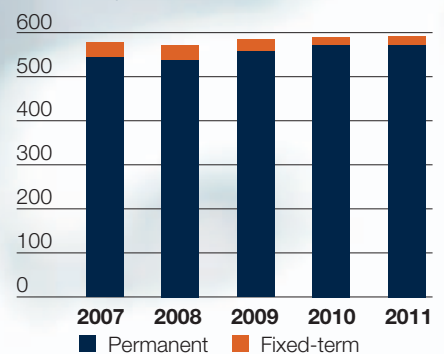
slightly increased from the previous year, but they still remained at a low level.

The proportion of women in supervisory and senior management positions is exceptionally high compared to the services sector as a whole, for example.

Gender distribution in different functions, %



Trend in personnel numbers



KEY PERSONNEL FIGURES	2011	2010
Personnel turnover, % (incl. retirement)	4.9	5.1
Sick leaves, %	3.6	3.6
Average age of retirement	62.8	61.5

# ENVIRONMENTAL RESPONSIBILITY

Environmental responsibility is particularly highlighted when assessing the environmental impacts of the properties and other investment objects owned by Ilmarinen. In its own operations, Ilmarinen complies with WWF's Green Office environmental management system. The company also requires a good level of environmental performance from its service providers.

## ENVIRONMENTAL RESPONSIBILITY INDICATORS

### IMPLEMENTATION OF THE UN

Principles for Responsible Investment in investment operations

The number of ongoing major engagement processes and successfully completed processes has been

reported

**TARGET:**

Maintain good level of reporting

### REDUCTION OF ENERGY CONSUMPTION

in properties owned by Ilmarinen in accordance with the energy efficiency agreement of the Confederation of Finnish Industries EK

Energy savings of

4% by the end of 2011 compared to 2005

**TARGET:**

Energy savings of 9% by 2016 compared to 2005

### CONDITIONS OF WWF'S GREEN OFFICE CERTIFICATION

Conditions met

**TARGET:**

Maintain WWF's Green Office certification

### INCREASING USE OF ONLINE SERVICES IN CERTAIN SERVICES

2.7%-points

**TARGET:**

Minimum 4%-points increase in the use of online services annually

*Assessment of Ilmarinen's environmental responsibility mainly focuses on compliance with the UN Principles for Responsible Investment, to which we committed already in 2006. Ilmarinen also seeks to reduce the energy consumption of the properties it owns in accordance with the energy efficiency agreement of the Confederation of Finnish Industries EK. The company wishes to minimise the environmental impacts of its operations by increasing the use of online services.*



**5x10 EXPERIENCES  
WITH ILMARINEN**

"Everything affects everything; even how we treat and serve each other is reflected at the end of the service chain with the customer."

– Ilmarinen employee

# ENVIRONMENTAL RESPONSIBILITY IS HIGHLIGHTED IN CONSTRUCTION

New developments are taking place in the Finnish construction sector; climate change and tightening energy regulations have altered traditional construction.

As a major real estate investor, Ilmarinen has embraced these challenges in its operations and taken the initiative to develop construction.

Ilmarinen strives to anticipate changing user needs when designing a new building and to construct versatile buildings that offer a long service life of up to a hundred years. As an owner and client, Ilmarinen has strengthened its role in planning the projects, developing contracts and setting targets. In 2011, the company issued new design guidelines for office, commercial and residential building projects and logistics halls. These guidelines take a stance on, among other aspects, the adaptability and energy efficiency of the buildings, the design inspection process and the service life of the structures and building service systems.

## ENVIRONMENTAL CERTIFICATIONS ARE PART OF THE CONSTRUCTION PROCESS

Ilmarinen seeks to execute construction projects according to international environmental ratings. One of the best-known international certifications is LEED.

LEED® (Leadership in Energy and Environmental Design) is an environmental rating for the design, construction, operation and maintenance of buildings. The LEED Green Building Rating System™ is an eco-efficiency rating for buildings, in which projects are assessed from various perspectives, including land use, water and energy consumption and choice of materials. Ilmarinen currently has two LEED development projects underway, with the objective of reaching the highest Gold and Platinum certification levels.

Ilmarinen joined the Confederation of Finnish Industries EK's energy efficiency agreement in 2008. Under the agreement, Ilmarinen committed to cutting energy consumption by 9 per cent from the 2005 level by the end of 2015. The target is realistic: by the end of 2011, Ilmarinen had reached savings of 4 per cent in its properties.

## PRACTICAL MEASURES TO REDUCE CONSUMPTION

Energy saving measures for Ilmarinen's properties are sought on the basis of the results from energy audits. Most of the savings were achieved without any additional investments, simply through the correct use of the properties, for example by adjusting temperatures and ventilation running times according to the prevailing conditions.

Energy-saving investments worth around EUR 700,000 were carried out in 2011. Practical measures included, for example, the installation of led lighting fixtures and improving the efficiency of heat recovery. Energy consumption is measured monthly in all of the properties, which allows for immediate reaction to any deviations. Ilmarinen is also constantly looking for new solutions to manage energy consumption.

The water consumption of residential buildings has also been reduced through a number of means, such as the installation of water-saving shower heads and flush valves in the apartments. As a result, water consumption decreased 3 per cent in 2011.

The direct environmental impacts of Ilmarinen's own operations are mainly

### 5x10 EXPERIENCES WITH ILMARINEN

"I am able to do business personally with a competent, understanding and friendly person."

– Self-employed person

### 5x10 EXPERIENCES WITH ILMARINEN

"It's nice to listen when experts explain things clearly and competently."

– Head of finance, medium-sized company

### 5x10 EXPERIENCES WITH ILMARINEN

"Thank you for an excellent presentation. I would have liked to have had a little more time for discussion."

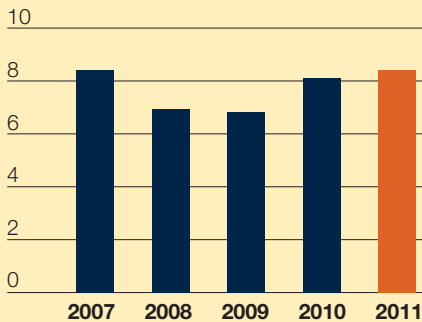
– Director

limited to its own premises in Ruoholahti, Helsinki. As proof of its systematic efforts to reduce environmental impacts, Ilmarinen has been granted the WWF's Green Office certification.

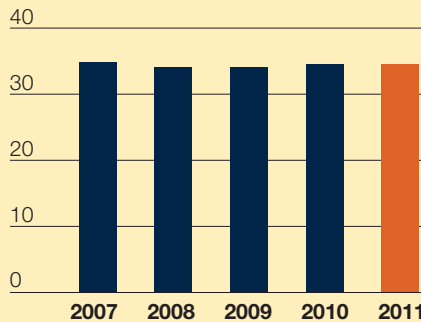
The environmental impacts of Ilmarinen's head office are mainly caused by water, paper and energy consumption and carbon dioxide emissions from the

company's vehicles. In its environmental programme, Ilmarinen commits to reducing the negative effects caused by these factors on the environment. The implementation of the environmental programme is monitored on a yearly basis, which encourages continuous improvement.

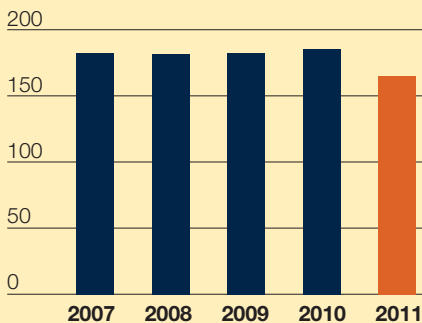
District cooling consumption, KWh/m<sup>3</sup>/year



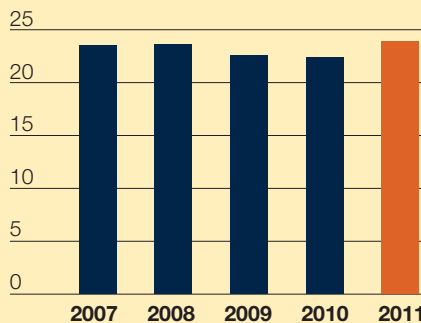
Heat consumption, KWh/m<sup>3</sup>/year



Water consumption, l/m<sup>3</sup>/year



Electricity consumption, KWh/m<sup>3</sup>/year



5x10 EXPERIENCES WITH ILMARINEN

"A special thank you for keeping to schedules and sticking to the point."

- Customer

5x10 EXPERIENCES WITH ILMARINEN

"The website is really clear and functional compared to many others. If you were to ask me for development suggestions, I'd suggest focusing on real-timeliness."

- Customer

5x10 EXPERIENCES WITH ILMARINEN

"Make wise equity investment decisions!"

- New pension recipient

5x10 EXPERIENCES WITH ILMARINEN

"Of course I'd prefer to take care of all of my business online, but I'm no computer genius, so I try to keep it to a minimum."

- Self-employed person

5x10 EXPERIENCES WITH ILMARINEN

"I usually use the online service, which is handy, but sometimes I've had problems, for example, logging in."

- Customer

5x10 EXPERIENCES WITH ILMARINEN

"You need to advise and guide other pension insurance companies to operate as well as you do. Excellent service, thank you."

- Rehabilitee



# GOVERNANCE & CONTROL

Ilmarinen is a mutual employment pension insurance company owned – subject to the conditions set out in the Articles of Association – by its clients.

Ilmarinen's key organs are the Annual General Meeting of shareholders, the Supervisory Board, the Board of Directors and the President and CEO.

The governance of employment pension insurance companies is subject to the Companies Act, the Insurance Companies Act, the Act on Employment Pension Insurance Companies, and each company's Articles of Association. In addition to these, Ilmarinen follows the Finnish Corporate Governance Code 2010 for Listed Companies to the extent possible for a mutual employment pension insurance company.

## ANNUAL GENERAL MEETING

Ultimate corporate control in Ilmarinen rests with the Annual General Meeting. Ilmarinen's corporate clients and the employees insured with the company have the right to vote at the Annual General Meeting as laid down in more detail in the Articles of Association.

## SUPERVISORY BOARD

Ilmarinen's Supervisory Board is responsible for supervising the corporate governance actions undertaken by the company's Board of Directors and President and CEO. The Supervisory Board also implements its supervisory role in choosing the necessary number of its members at a time to familiarise themselves with the company's investment and pension operations. Additionally, the Supervisory Board selects the members of the Board of Directors and the Election Committee and decides on the members' remuneration.

## BOARD OF DIRECTORS

The Board of Directors is responsible for the administration of the company and the appropriate organisation of operations as well as for ensuring that the control of the company's accounting and finance has been organised appropriately. The Board of Directors has a **Nomination and Compensation Committee** and **Audit Committee**.

## ELECTION COMMITTEE

The Election Committee prepares a proposal for the Annual General Meeting on the members of the Supervisory Board and a proposal on the remuneration of the members and the basis of travel costs. It also prepares a proposal for the Supervisory Board on the members of the Board of Directors and their remuneration.

## PRESIDENT AND CEO AND OTHER EXECUTIVES

Ilmarinen has a President and CEO appointed by the Board of Directors and a Deputy CEO who stands in for the President and CEO as needed, as well as executives in charge of operations and decision-making within their own fields of responsibility.

Harri Sailas has served as the President and CEO since 1 January 2007. The company's Deputy CEO is Timo Ritakallio.

## REMUNERATION

Remuneration at Ilmarinen is based on the company's strategy, challenging targets and their achievement during the

target period. Short-term remuneration is linked to annual targets and long-term remuneration to the current strategy period. The objective of remuneration is to encourage excellent performance.

Ilmarinen's remuneration systems are handled by the Board's Nomination and Compensation Committee and approved by the Board of Directors.

## CORPORATE INSIDERS

Ilmarinen complies with the insider guidelines of NASDAQ OMX Helsinki (Helsinki Stock Exchange) as far as it is possible for an unlisted, mutual pension insurance company. The purpose of these guidelines is to promote public confidence in Ilmarinen's investment operations and to increase awareness of insider regulations so as to prevent any violations, including inadvertent ones.

## RISK MANAGEMENT

Risk management is part of the company's normal management and internal control. Risk management means the procedures and practices used to continually identify, assess, control and monitor the risks related to the company's operations, compliance and the realisation of the company's targets. The most essential goal is to secure the rights of the insured, pensioners and policyholders in all situations. Risk management is implemented through Ilmarinen's management and supervisory system and is based on the company's principles that enhance management and accountability.

[www.ilmarinen.fi](http://www.ilmarinen.fi)

Further information about Ilmarinen's governance and control as well as financial statements can be found on our website.

Our annual reports and interim reports in Finnish, English and Swedish and other financial information can also be found at the same address.

# BOARD OF DIRECTORS, SUPERVISORY BOARD AND SUPERVISORS



Lauri Lyly, Jussi Pesonen



Jukka Alho, Kristian Pullola, Anne Berner



Matti Halmesmäki, Leena Niemistö, Reijo Karhinen



George Berner, Leila Kostiaainen, Sture Fjäder



Timo Parmasuo, Kim Gran, Hannu Rautiainen



Petri Vanhala, Mikko Pukkinen

## BOARD OF DIRECTORS

The term of office of all Board members and deputy members will expire on December 31, 2013.

### Jussi Pesonen, Chairman

President and CEO of UPM-Kymmene Corporation  
b. 1960, M.Sc (Eng)

### Lauri Lyly, Deputy Chairman

President of the Central Organization of Finnish Trade Unions (SAK)  
b. 1953

### Mikko Pukkinen, Deputy Chairman

Director General of Confederation of Finnish Industries, EK  
b. 1954, LL.M

### Jukka Alho

President and CEO of Itella Corporation  
b. 1952, M.Sc (Tech)

### George Berner

Managing Director of Berner Ltd  
b. 1948, MS in Civil Engineering

### Sture Fjäder

President of the Confederation of Unions for Professional and Managerial Staff in Finland (AKAVA)  
b. 1958, M.Sc (Econ)

### Kim Gran

President and CEO of Nokian Tyres plc  
b. 1954, B.Sc (Econ)

### Matti Halmesmäki

President and CEO of Kesko Corporation  
b. 1952, M.Sc (Econ), LL.M

### Reijo Karhinen

Executive Chairman of OP-Pohjola Group  
b. 1955, M.Sc (Econ)  
(until 1 March, 2012)

### Leila Kostiaainen

General Secretary of the Finnish Confederation of Salaried Employees (STTK)  
b. 1950, LL.M

### Leena Niemistö

Managing Director of Oy Dextra Ab  
b. 1963, MD

### Kristian Pullola

Vice President, Corporate Controller of Nokia Corporation  
b. 1973, M.Sc (Econ)

### Heikki Vitie

b. 1952 Master of Laws trained on the bench, M.Sc (Econ)  
(since 14 March, 2012)



**DEPUTY MEMBERS****Anne Berner**

Managing Director of Oy Vallila Interior Ab  
b. 1964, M.Sc (Econ)

**Timo Parmasuo**

Board Chairman of Meconet Ltd  
b. 1950, ME

**Hannu Rautiainen**

Director, Business Law of Confederation of  
Finnish Industries (EK)  
b. 1952, LL.M, B.Sc (Econ)

**Petri Vanhala**

President of the Finnish Paper Workers'  
Union  
b. 1963, Diploma in Public Administration

**SUPERVISORY BOARD****Jorma Eloranta, Chairman**

Board Chairman of Ilmarinen,  
due to resign in 2012

**Merja Strengell, Deputy Chairman**

due to resign in 2012

**Antti Herlin, Deputy Chairman**

Board Chairman of Kone Corporation,  
due to resign in 2013

**Ilkka Hämälä**

President and CEO of Metsä Fibre Oy,  
due to resign in 2012

**Liisa Joronen**

Board Chairman of SOL Palvelut Oy,  
due to resign in 2012

**Pasi Kallio**

Steward of Pilkington Automotive  
Finland Oy, due to resign in 2013

**Kari Kauniskangas**

Deputy CEO of YIT Corporation,  
due to resign in 2013

**Timo Kohtamäki**

Managing Director of Lemminkäinen  
Corporation, due to resign in 2013

**Sirpa Komonen**

Steward of Pohjola Insurance Ltd,  
due to resign in 2013

**Veikko Kuusakoski**

Board Chairman of Kuusakoski Group Oy,  
due to resign in 2012

**Sakari Lepola**

President of the Wood and Allied Workers'  
Union, due to resign in 2013

**Matti Lievonen**

President and CEO of Neste Oil  
Corporation, due to resign in 2012

**Jarmo Mikkonen**

Managing Director of Securitas Oy,  
due to resign in 2013

**Sinikka Mönkäre**

Managing Director of RAY (Finland's Slot  
Machine Association), due to resign in 2013

**Jaakko Nevanlinna**

Managing Director of Aina Group Oyj,  
due to resign in 2013

**Matti Niemi**

Managing Director and CEO of HOK-  
Elanto, due to resign in 2012

**Krister Olsson**

President of The Finnish Taxi Owners  
Federation, due to resign in 2013

**Veli-Matti Puutio**

President of Osuuskauppa Arina, due to  
resign in 2013

**Timo Rätty**

President of the Finnish Transport Workers'  
Union (AKT), due to resign in 2012

**Jari Sarjo**

due to resign in 2012

**Pirjo Terilehto**

Chief Financial Officer of the Trade Union  
Pro, due to resign in 2012

**Riitta Tiuraniemi**

CEO of DNA Ltd, due to resign in 2013

**Maarit Toivanen-Koivisto**

Chair of the Board of Onvest Oy,  
due to resign in 2013

**Jaakko Uotila**

President and CEO of Alko Inc,  
due to resign in 2013

**Juha Vanhainen**

Country Manager Finland of Stora Enso  
Oyj, due to resign in 2012

**Mika Vehviläinen**

President and DEO of Finnair Plc,  
due to resign in 2012

**Esa Vilkkuna**

President of the Finnish Post and Logistics  
Union (PAU), due to resign 2012

**SUPERVISORS OF PENSION  
DECISION OPERATIONS****SUPERVISORS**

Ilkka Hämälä  
Veikko Kuusakoski  
Sinikka Mönkäre  
Matti Niemi  
Timo Rätty  
Juha Vanhainen

**DEPUTIES**

Matti Lievonen  
Veli-Matti Puutio  
Pirjo Terilehto  
Riitta Tiuraniemi  
Maarit Toivanen-Koivisto  
Esa Vilkkuna

**SUPERVISORS OF INVESTMENT  
OPERATIONS****SUPERVISORS**

Kari Kauniskangas  
Sirpa Komonen  
Jarmo Mikkonen  
Jaakko Nevanlinna  
Jari Sarjo  
Merja Strengell

**DEPUTIES**

Pasi Kallio  
Timo Kohtamäki  
Sakari Lepola  
Krister Olsson  
Mika Vehviläinen  
Jaakko Uotila

**NOMINATION AND  
COMPENSATION COMMITTEE**

Jussi Pesonen, chairman  
Lauri Lyly  
Mikko Pukkinen

**AUDIT COMMITTEE**

Kristian Pullola, chairman  
Leila Kostiaainen  
Hannu Rautiainen

**ELECTION COMMITTEE**

Jorma Eloranta, chairman  
Esa Vilkkuna, deputy chairman  
Antti Herlin  
Sture Fjäder  
Leila Kostiaainen  
Jussi Pesonen

**AUDITORS**

Ernst & Young Oy  
Auditor-in-charge:  
Tomi Englund, APA

# EXECUTIVE GROUP



Harri Sailas, Jaakko Kiander, Hillevi Mannonen



Pirkko Auvinen, Mika Mononen



Timo Aro, Päivi Sihvola



Timo Ritakallio, Sini Kivihuhta, Juhani Karjasilta

## Harri Sailas

President and CEO

b. 1951, M.Sc

He has worked for Ilmarinen since 2006

## Timo Ritakallio

Deputy CEO, Head of Investments

b. 1962, LL.M, MBA

He has worked for Ilmarinen since 2008

## Timo Aro

Senior Vice President, Customer Accounts

b. 1955, M.Sc, MD, PhD

He has worked for Ilmarinen since 1994

## Pirkko Auvinen

Senior Vice President, Legal Matters

b. 1950, LL.M

She has worked for Ilmarinen since 1974

## Juhani Karjasilta

Senior Vice President, ICT

b. 1959, Grad. Eng.

He has worked for Ilmarinen since 2002

## Jaakko Kiander

Senior Vice President, Finance and

Pension Policy

b. 1963, Dr. sc. pol.

He has worked for Ilmarinen since 2010

## Sini Kivihuhta

Senior Vice President, Pension Insurance

b. 1959, LL.M

She has worked for Ilmarinen since 1983

## Hillevi Mannonen

Senior Vice President, Actuarial Services and Risk Management

b. 1958, M.Sc (Math), FASF

She has worked for Ilmarinen since 1997

## Mika Mononen

Personnel representative

b. 1975, BBA (tradenomi)

He has worked for Ilmarinen since 2003

## Päivi Sihvola

Senior Vice President, Corporate

Communications and Human Resources

b. 1957, M.Sc

She has worked for Ilmarinen since 2008





 ILMARINEN

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