



RESPONSIBLY FOR YOU

Ilmarinen's Annual and Sustainability Report 2022

ILMARINEN

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Annual and Sustainability Report

You are reading Ilmarinen's Annual and Sustainability report 2022.

We report on our responsibility and finances annually; this time the review period is 1 January 2022–31 December 2022. Data for 2021 has been given in brackets.

The report covers the parent company Ilmarinen. Data for the entire Ilmarinen Group is available in the Report on Operations 2022 published on 16 February 2023.

The report has been approved by both the Executive Group of Ilmarinen. The Board of Directors approved the sustainability data reported as part of the Report on operations and financial statements. The previous report was free from errors. Reporting changes have been compiled at the end of the report.

The report was verified by Ernst & Young Oy. The verifier was selected through competitive tendering, and the members of the Executive Group signed the agreement. The verification statement can be found at the end of the report.

The report was published on 23 March 2023. For further information, please send an email to info@ilmarinen.fi.



Pension security for you

Pension security for you

The year 2022 was exceptional due to the war of aggression initiated by Russia in Ukraine, the acceleration of inflation and central banks' tightening monetary policy. The Covid pandemic also continued. However, Ilmarinen's solvency remained at a good level, premiums written grew strongly and cost-effectiveness improved to a record level.

Anyone working in Finland is entitled to statutory earnings-related pension. At Ilmarinen we are part of the Finnish social security system: we provide statutory and mandatory self-employed person's pension insurance (YEL) and employees' pension insurance (TyEL) to those working in Finland. They both provide security not only for retirement, but also in the event of disability or the death of the family provider. Employees accrue pension on their salary and entrepreneurs on the pension contribution collected on their YEL income. Part of the TyEL contribution is funded to be able to pay current and future pensions.

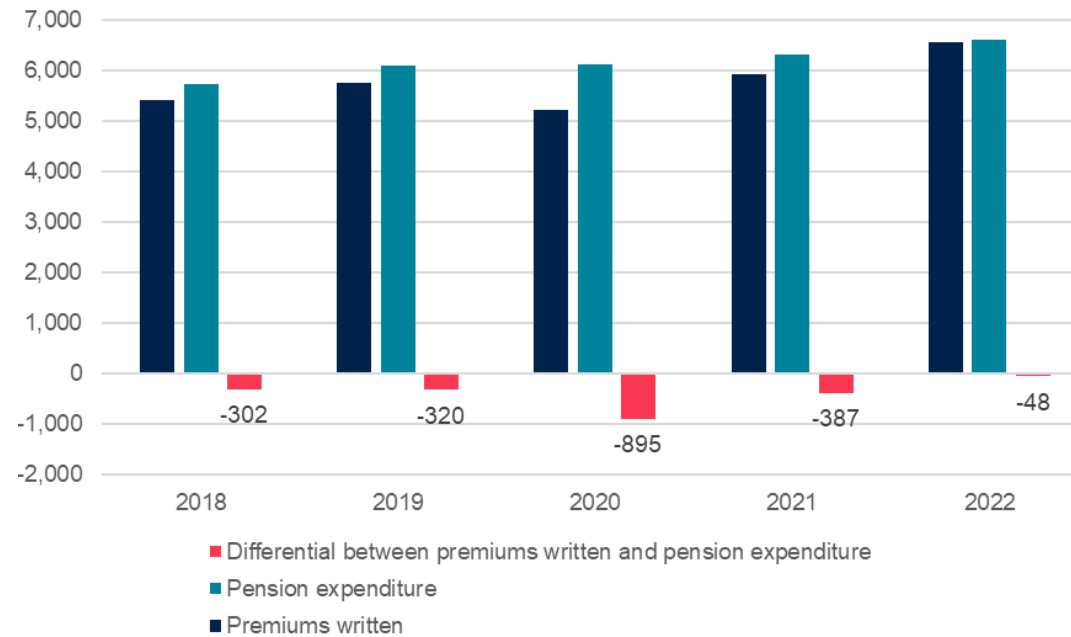
We are responsible for the pension security of some 1.1 million people. As our name, Ilmarinen Mutual Pension Insurance Company, suggests, we are a mutual company. It means that Ilmarinen

is owned by its customers: policyholders and their insured employees.

Pension assets have been funded since the 1960s. That makes the earnings-related pension system a key part of the Finnish financial market. The majority of the assets are invested abroad, which means that we operate globally. We invest our shared pension assets of more than EUR 56 billion securely, profitably and responsibly to safeguard the financing of current and future pensions. The investments are diversified, not only across different parts of the world but also across different asset classes. Our investment activities also include the development and renting of flats and commercial properties.

Although the year 2022 was bleak for pension investors – with equity markets sliding, inflation

Difference between premiums written ja pension expenditure, EUR mill.



Premiums written mean the pension contributions collected on the wages and salaries and entrepreneurs' YEL income during a year.

Pension expenditure is the total sum of the pensions we have paid.

The premiums written are mainly used directly to pay the pensions of people who are now retired, i.e. those who are in work paying pensions for pensioners.

Since 2012, more pensions have been paid out than premiums written has been received. Therefore, return of investments is needed.

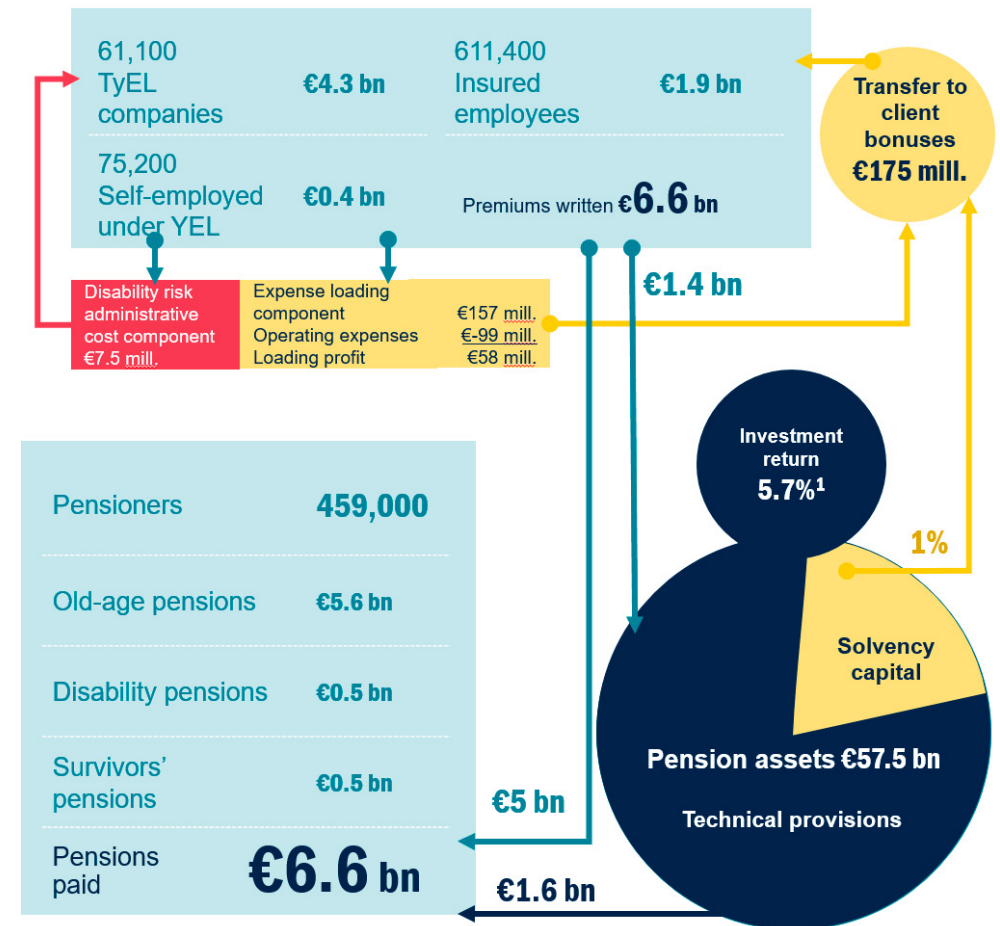
galloping and fixed income investment returns at an all-time low – the pension financing outlook has improved thanks to the good return on investments achieved in recent years. This was the result

of the long-term calculations published by the Finnish Centre for Pensions in October. The continued low birth rate and declining working age population still pose challenges for the sustainability of financing.

Social income distribution calculation

Social income distribution calculation, EUR million	2022	2021
Income information		
Premiums written	6,558.0	5,922.0
TyEL, employer's contribution	4,301.8	3,824.8
TyEL, employee's contribution	1,862.0	1,709.0
YEL (self-employed persons)	394.2	388.2
Reduction of client bonus transfer carried out in previous year	209.4	55.4
Net investment return excluding operating expenses	-3,966.5	8,126.7
Other income and expenses	0.0	0.1
Total income	2,800.9	14,104.1
Income distribution		
To pensioners	-6,606.0	-6,309.12
TyEL pension recipients	-6,189.2	-5,902.08
YEL pension recipients	-416.8	-407.04
Provision for future pensions	-4,221.1	-1,678.7
Provision for future risks	8,362.0	-5,721.2
Buffering against fluctuations in investment return	8,362.0	-5,721.2
Buffering against fluctuations in underwriting result	0.0	0.0
Client bonuses	-175.3	-209.4
Carried forward to next year's client bonuses	-175.3	-209.4
Staff expenses	-64.1	-61.2
Other service providers	-86.7	-114.5
Taxes withheld at source	-9.6	-10.1
Interest on guarantee capital	0.0	0.0
Donations	-0.1	-0.1
Total income distribution	-2,800.9	-14,104.1

We are responsible for the pension security of 1.1 million Finns



The income distribution calculation indicates what cash flows our operations consist of. An employment pension insurance company does not produce a profit for its owners, because the funds from pension contributions are meant to be used for pension provision.

1) Long-term (1997–2021) nominal return 5.7% pa. and real return for the same period 3.8% pa.

Most attractive working life partner – responsibly, for you

Our basic task is to take care of our customers' occupational pension security. Our goal is to be the most attractive partner in working life – responsibly for you. To achieve this, we focus on improving our operations in terms of HR and customer experience, growth, efficiency and solvency.

Building success starts with our own team: knowledgeable, motivated and well-to-do staff who listen to our clients and recognize our clients' needs. Our goal is to provide our customers with the best solutions in the industry and the best customer experience.

Our market position is strong and we are aiming for faster growth than the market, which at the same time improves our profitability.

We work towards our goals in accordance with our values: openly, responsibly and collectively prospering.



To reach the objectives:

- We succeed together, strengthening our expertise
- We operate customer-oriented and promote working capacity
- We grow profitably with our customers
- We digitize service processes and continuously improve our operations
- We invest profitably, securely and responsibly

President and CEO's review: A year of strong growth and improving efficiency

2022 was a year of strong growth and improvement of effectiveness for Ilmarinen. Premiums written grew by as much as 11 per cent to EUR 6.6 billion. Behind the strong growth is the increase in the payroll and number of employees insured with Ilmarinen and the 0.45 percentage point increase made in the earnings-related pension contribution. A further driver of growth in premiums written was a strong performance in customer acquisition. Net customer acquisition measured with premiums written was EUR 290 million, and customer retention was at an excellent level, at 96.7 per cent.

Our cost-effectiveness improved to a record-high level, and we were the most efficient pension company in Finland. Operating expenses covered with the administrative cost component decreased to EUR 99.1 million. The loading profit improved to EUR 58.1 million and the ratio of operating expenses to expense loading components to 63.1 per cent despite the 9.5 percentage point reduction in the expense loading rate. The excellent cost-effectiveness shows to our employer customers as lower earnings-related pension insurance contributions. In future, the

administrative cost component will be determined specifically for each company and the expense loading charged to customers will be the smaller, the more cost-effectively we operate.

The operating environment in the investment markets was difficult: Russia's war of aggression in Ukraine, Europe's energy crisis, accelerated inflation and rapidly tightening central bank monetary policy cast a shadow over the economic outlook, broadly reducing investment market returns. In the equity markets, most equity indices fell 10–20 per cent while the returns on fixed income investment were historically weak due to rising interest rates and credit risk margins.

Our return on investments was negative, at -6.6 per cent, but solvency remained strong. The long-term average annual return on investments since 1997 is 5.7 per cent, which corresponds to a real return of 3.8 per cent.

The exceptionally large index increment (6.8%) increased interest in applying for pension at the end of the year. The number of disability pension applications also grew by five per cent from the previous

year, and the number of applications returned to the pre-pandemic level. Despite the growing number of applications, our customers received their pension decisions faster than before.

Responsibility and sustainable development are key in our operations. As described in this report, we monitor our impacts on the economy, the environment and people. To us, responsible management of pensions means that we want to further improve our operations and our efficiency. This benefits our customers and the entire pension system. Our new sustainability programme, drawn up in 2022 and published in early 2023, sheds more light on this.

We seek to achieve carbon neutrality in the investment of pension assets in 2035. The updated Climate Roadmap now covers four asset classes: direct listed equities and shares, Finnish real estate and, more recently, corporate bonds and foreign real estate. Alongside climate change, accelerating biodiversity loss impacts the economy and thus also investment operations. We published a Biodiversity Roadmap, describing how the impacts on biodiversity and risks related to biodi-



versity loss are taken into account in investment operations.

According to a calculation updated in 2022, the outlook for financing pensions has improved thanks to good investment returns achieved in recent years. In the long term, however, the ageing population and a record-low birth rate will challenge the sustainability of the pension system. Many companies are already suffering from a labour shortage. This further highlights the need to boost employment and work ability among the working age population and increase labour immigration. In addition, solvency regulation must be reformed to ensure that the best possible long-term return can be sought for pension investments.

Jouko Pölönen
President and CEO, Ilmarinen

Ilmarinen in 2022

January

- In 2021, the number of people applying for disability pension decreased for the second year in a row.
- Survivors' pension became fixed-term and the period during which orphan's pension is paid was extended.

February

- Ilmarinen's financial statements 2021: Investment assets and solvency capital rose to record levels.
- The survey on the financial situation and energy level of pensioners: 70% of pensioners perceive their health and well-being to be good.

March

- We decided not to make any new investments in Russia because of its invasion of Ukraine.
- Funds were raised in an art sale exhibition to help Ukrainians suffering from Russia's war of aggression.

April

- Once a month, we publish a business cycle index that indicates the change in jobs in our client companies. In April, we published the data for March: the number of employees rose by 3.9% compared to a year earlier.

May

- Russia's invasion of Ukraine meant that large numbers of working-aged refugees came to Finland. We advised employers on insuring foreign employees.

June

- The online service for employers was revamped: one login gives customers access to all the online services.

August

- The Parliament's proposal for amending YEL sparked a lively debate. We shared information about the amendments.

September

- Our earnings-related pension services are also available in sign language.
- We improved the service offered to new entrepreneurs by starting to calculate a YEL income recommendation for them.
- We joined the national "Down a degree" energy savings campaign.

October

- Ilmarinen was the first earnings-related pension company in Finland to publish its Biodiversity Roadmap.
- The students of the Digital Service Design course in information systems science of the Faculty of Information Technology at the University of Jyväskylä did their thesis on digitalisation at Ilmarinen.

November

- We obtained five LEED certifications in 2022. In November, these included Ilmarinen's office building (Porkkalankatu 1, Helsinki).
- We organised the student fair virtually and participated in the remotely organised financial sector day of the real world work experience program for secondary students (etätET).
- Ilmarinen Employee Sustainability Network started.

December

- The bill on amending the Self-Employed Persons' Pensions Act was passed. We created an information package for entrepreneurs.
- We expanded our climate goals: climate roadmaps also for corporate bonds and international real estate.
- Ilmarinen was awarded the 'A feel-good workplace' label (Hyvän mielen työpaikka®).
- The hackathon on future work and mental health explored ways to make work support mental health.

Sustainability governance at Ilmarinen

Ilmarinen's Board of Directors decides on the main sustainability policies. It approves, for example, the sustainability programme and the responsible investment policy. The Board of Directors has also set Ilmarinen's target to achieve carbon neutrality in the investment of pension assets by the end of 2035. The implementation of sustainability is reported to the Board of Directors at least annually in connection with the annual and sustainability report. Sustainability and responsible investment are embedded in the administration on-boarding training. The implementation of the sustainability policies is the responsibility of Ilmarinen's President and CEO, who is assisted by the Executive Group. The members of the Executive Group head the sustainability work of their own function.

In the Executive Group, the Executive Vice President, Communications and Corporate Responsibility is responsible for preparing and coordinating sustainability matters. Deputy CEO. Ilmarinen's Chief Investment Officer is in

charge of responsible investment. The responsible investment team works daily on sustainability matters and its activities are overseen by the Head of Responsible Investment.

The Sustainability Manager is a member of the responsible investment team, and their task is to develop and coordinate the practical implementation of sustainability together with the Communications Manager specialising in sustainability. The Risk, Compliance and Sustainability network is Ilmarinen's internal collaboration platform, which guides and coordinates the embedding of the company's risk management, compliance and sustainability matters into the decision-making and monitoring of the business lines and functions. It has representatives from all of Ilmarinen's functions. In 2022, a voluntary sustainability network started its activities at Ilmarinen under the supervision of the Sustainability Manager and the Communications Manager. It also contributes to responsible and sustainable operations at Ilmarinen.



In 2022, a voluntary sustainability network started its activities at Ilmarinen.

We updated our sustainability programme

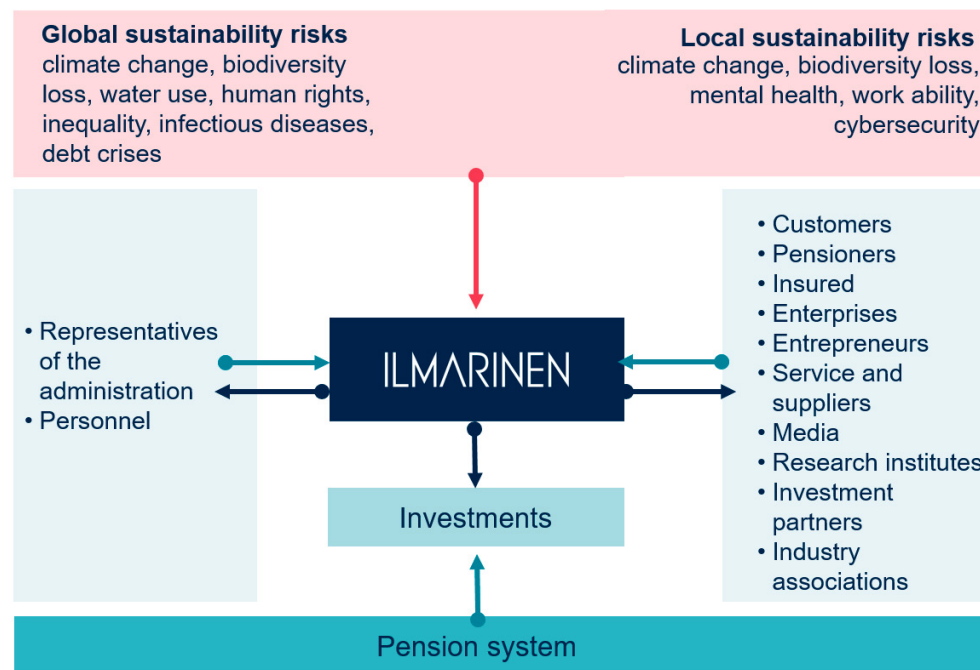
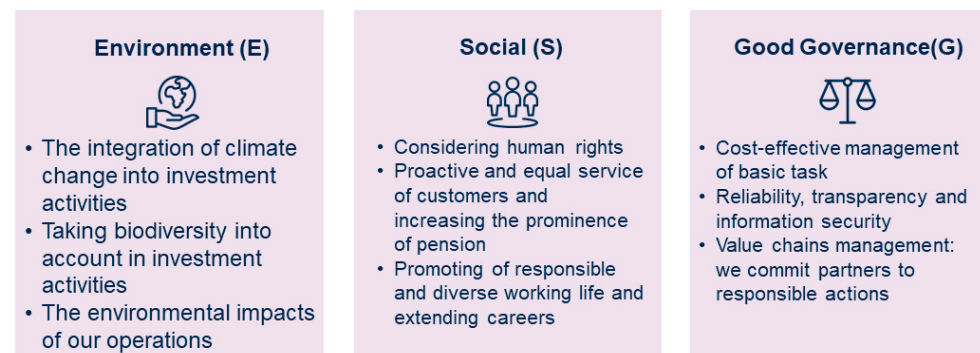
In 2022, we updated our sustainability programme, in other words our sustainable business priorities. The previous sustainability programme was completed in 2019 and was in force until the end of 2022. Our new sustainability programme approved by the Board of Directors is based on three pillars: the environment (E), people and society (S) and good governance (G). We influence these, both directly through our own operations and indirectly through investment activities.

The sustainability programme was prepared based on a materiality analysis. In the analysis, we identified our impacts on the environment, people, human rights and society, and good governance. In accordance with the so-called double materiality principle, we approached the impacts from two angles: the impact of our own operations on, for example, climate change, and the impact of climate change on our own operations, both globally and locally.

The sustainability and responsibility materiality analysis was conducted through interviews





and workshops. Stakeholders were included in the materiality analysis by conducting an extensive stakeholder survey which was sent to stakeholders and shared on social media. Based on the materiality analysis, Ilmarinen's sustainability programme took the form of a three-pillar model including 10 sub-targets with metrics.

Responsibly, for you



Ilmarinen's stakeholders and sustainability risks affecting Ilmarinen globally and locally.

Metrics and targets

Pillar	SDG	Topic	Target	Target 2023	Indicator	KPI
Environment (E)		Climate change	Our goal is to achieve a carbon-neutral investment portfolio by the end of 2035.	Operations in line with our Climate Roadmap.	Investment portfolio's <u>carbon intensity</u> .	KPI 1/23
	 	Biodiversity	We take biodiversity into account in our investment activities.	Operations in line with our Biodiversity Roadmap.	Implementation of the Biodiversity Roadmap started in Ilmarinen's investment portfolio (yes/no).	KPI 2/23
		The environmental impacts of our operations	We take the environmental impacts of our operations into account.	Creating a Climate Roadmap for our operations.	Carbon footprint of our operations.	KPI 3/23
Social (S)		Responsible working life	A fair and diverse work community where everyone has the right to good leadership.	95% think that supervisor supports success at work.	Supervisorship ratings in the Work energy ('Työvire') survey.	KPI 4/23
		Extending careers	We help extending careers.	Ilmarinen's customer's retirement age is lower than the average.	The retirement age of customers.	KPI 5/23
		Human rights	We promote the implementation of human rights.	Identification of human rights implications in Ilmarinen's operations.	Continued assessment of human rights risks and their impacts launched (yes/no).	KPI 6/23
		Customers	We serve customers in a proactive and equal manner and increase the prominence of pension.	Increases by 20%.	Personal customers who visited MyPension service (%).	KPI 7/23
Governance (G)		Value chains	We promote responsibility throughout our value chain and commit our suppliers to responsible actions.	Sustainability requirements for suppliers prepared.	Responsibility Requirements for Suppliers Introduced (yes/no).	KPI 8/23
		Reliability and transparency	We take care of the implementation of information security and process the data responsibly.	Target 0 pcs.	Impact of information security disruptions on access to services (pcs).	KPI 9/23
		Cost-effective operations	We manage pension security cost-effectively.	The most cost-effective pension insurance company.	Operating expenses in proportion to the payroll.	KPI 10/23

UN Sustainable Development Goals

We take the UN Sustainable Development Goals (SDG) into account in our sustainability programme. Based on our materiality analysis, we chose four SDGs to which we contribute the most: **decent work and economic growth** (8), **reduced inequalities** (10), **climate action** (13) and **peace, justice and strong institutions** (16).



2022 was a difficult year for the investment of pension assets

We invest funded pension assets to be able to pay our customers' current and future pensions. We prepare for long-term risks in the investment markets by seeking to achieve a net zero carbon investment portfolio by the end of 2035 and by taking biodiversity into account.

Global economic growth was strong in the early part of 2022, with economies supported by recovery from the Covid-19 crisis. High inflation, tightening monetary policy and the impacts of Russia's war of aggression on the energy markets weakened the global economic outlook, however, and it became likely that economies would slide into a recession. Economic growth in 2022 is estimated at 3.4 per cent globally and at 3.5 per cent in the euro zone.

Inflation has proven to be a more persistent problem than expected. Central banks have voiced their concerns over price

stability and significantly tightened their monetary policies. In the USA, the year-on-year rise in consumer prices was some seven per cent at the end of the year and in the euro zone, inflation was around 10 per cent. In the euro zone, prices were primarily driven up by the rise in energy prices accelerated by the war in Ukraine, while in the USA a key factor behind inflation was the tight labour market and increased wage pressure.

Sustainability taken into account in investment processes

We must consider all aspects related to the value development of investments. We comply with international norms, we are an active owner and we incorporate sustainability in our portfolio management.

Factors related to the environment, human rights and governance have been taken into account in Ilmarinen's investment decisions for more than 20 years. We have clear processes that ensure sustainability:

The investment plan guides our investment activities. The plan is approved by Ilmarinen's Board of Directors, which also



In good investment years, we have amassed a wealth of solvency capital, which serves as a buffer against the impacts of investment returns in weaker investment periods.

Deputy CEO **Mikko Mursula**

Ilmarinen's investments and solvency

	2022	2021
Pension assets, EUR million	57,505	61,656
Investments at current value, EUR million	56,264	60,773
Net return on investments at current value, EUR million	-4,009	8,086
ROCE, %	-6.6	15.3
Solvency ratio, i.e. the ratio of pension assets to technical provisions, %	125.8	136.7
Solvency capital, EUR million	11,777	16,539

monitors the implementation of the plan. In the plan, we determine the targets for risk-taking and investment allocation, i.e. the distribution of investments across various asset classes. The most important factor in determining risk and return is the choice of strategic allocation. To optimise return, we diversify investment risks. However, it is never possible to fully predict all risks. The

Covid-19 virus that suddenly swept the globe is a recent example of this.

Our investment organisation takes care of daily investment activities within its investment authorities. Ilmarinen's Board of Directors also decides on the investment authorisations.

Our Responsible Investment Policy describes our view on responsible investment. The policy

applies to all asset classes from listed investments to non-listed companies, real estate and corporate bonds. The requirements and special characteristics of each asset class are taken into account. Our Board of Directors decides on the approval of the Responsible Investment Policy annually. The Responsible Investment Policy was most recently updated at the end of 2022, when it was supplemented with the main aspects of the new Climate Roadmaps and the Biodiversity Roadmap, among other things.

The Responsible Investment Guidelines complement our Responsible Investment Policy. The guidelines are approved by the Responsible Investment Executive Committee. They were updated in 2022, as was the policy.

Assessment of the impactfulness of investments and the UN Sustainable Development Goals

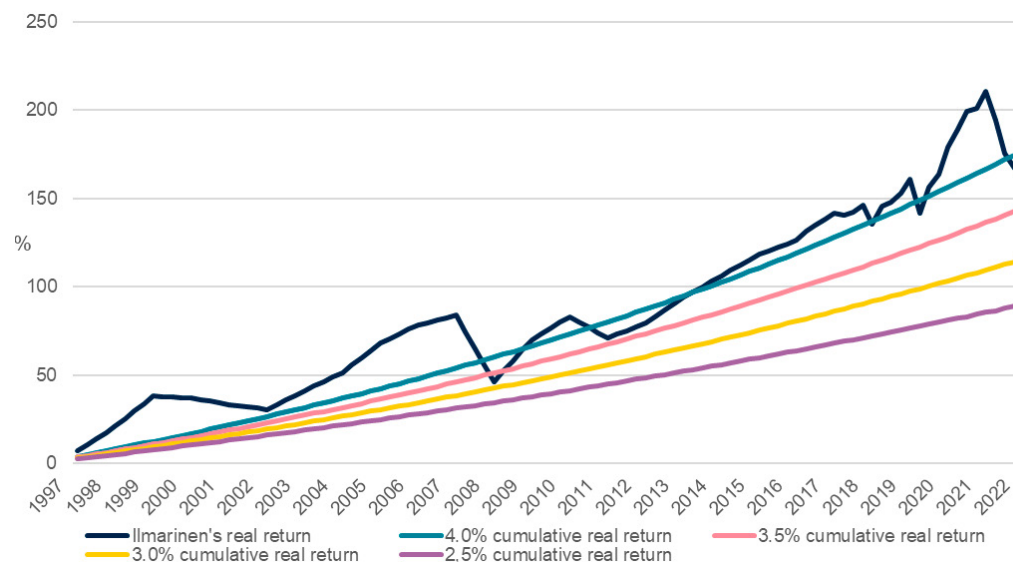
In addition to managing sustainability-related risks, it is necessary to understand and measure the positive impacts of our investments on society. From an investor's perspective, focusing on opportunities comes with an opportunity to make a profit, considering companies' evolving

operating environment: progressing climate change, loss of biodiversity and natural capital, and increasing interest towards labour rights and human rights worldwide.

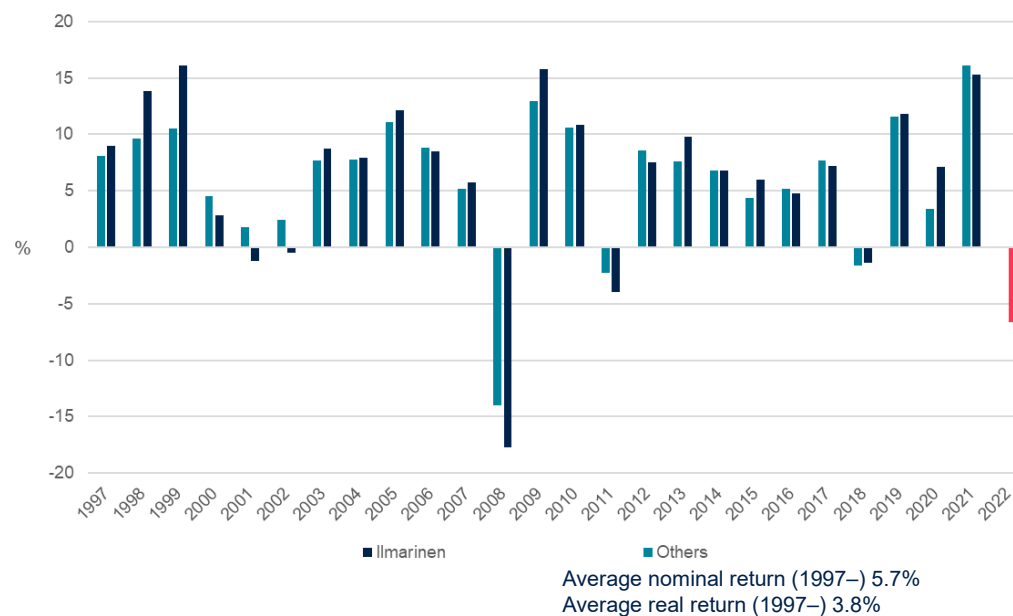
Sustainable development goals can be used as overall global goals also from an investor's perspective. They are relevant to investors who strive to understand and measure their contribution to sustainable development.

In 2022, we prepared a survey where we looked into the definition of impactfulness, measurement and the most material sustainable development goals that we can strive to achieve through our operations. The survey will be published in 2023.

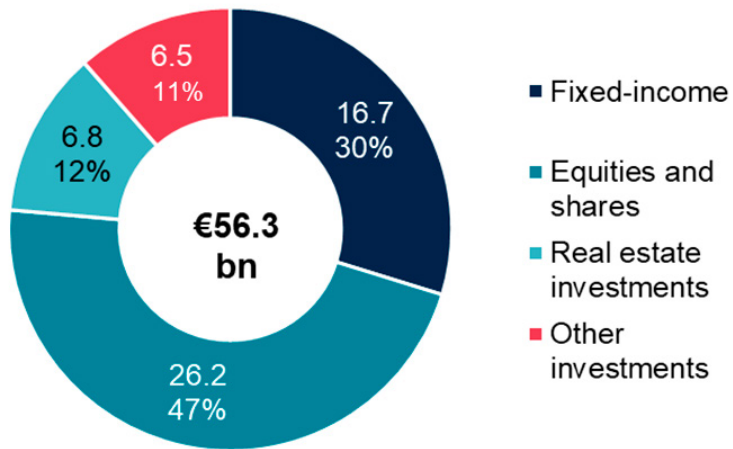
Cumulative net return on investments 1997–2022



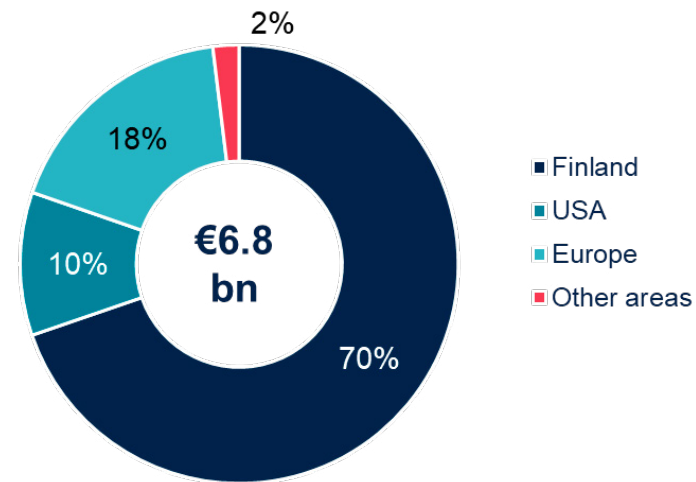
Net return on investments at current value



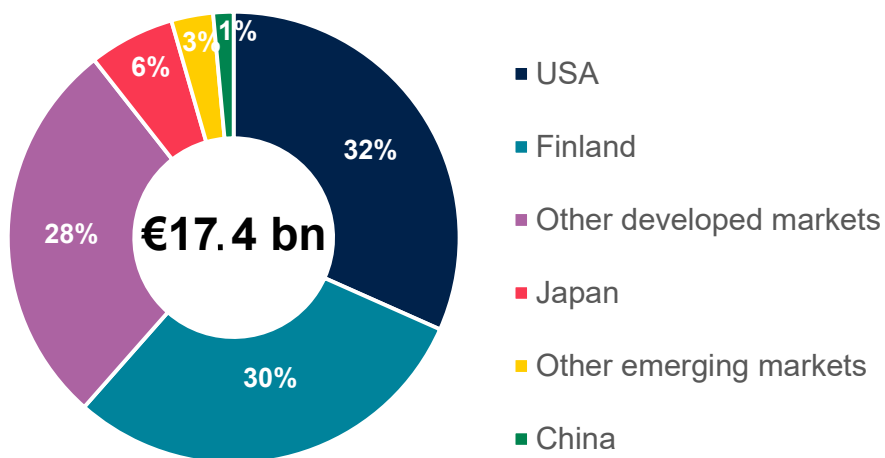
Investment allocation, 31 Dec 2022



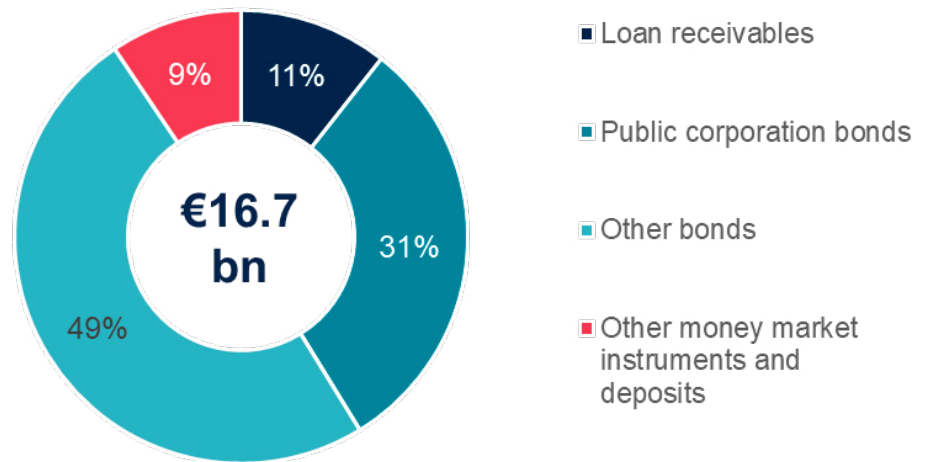
Real estate investments by geographical area



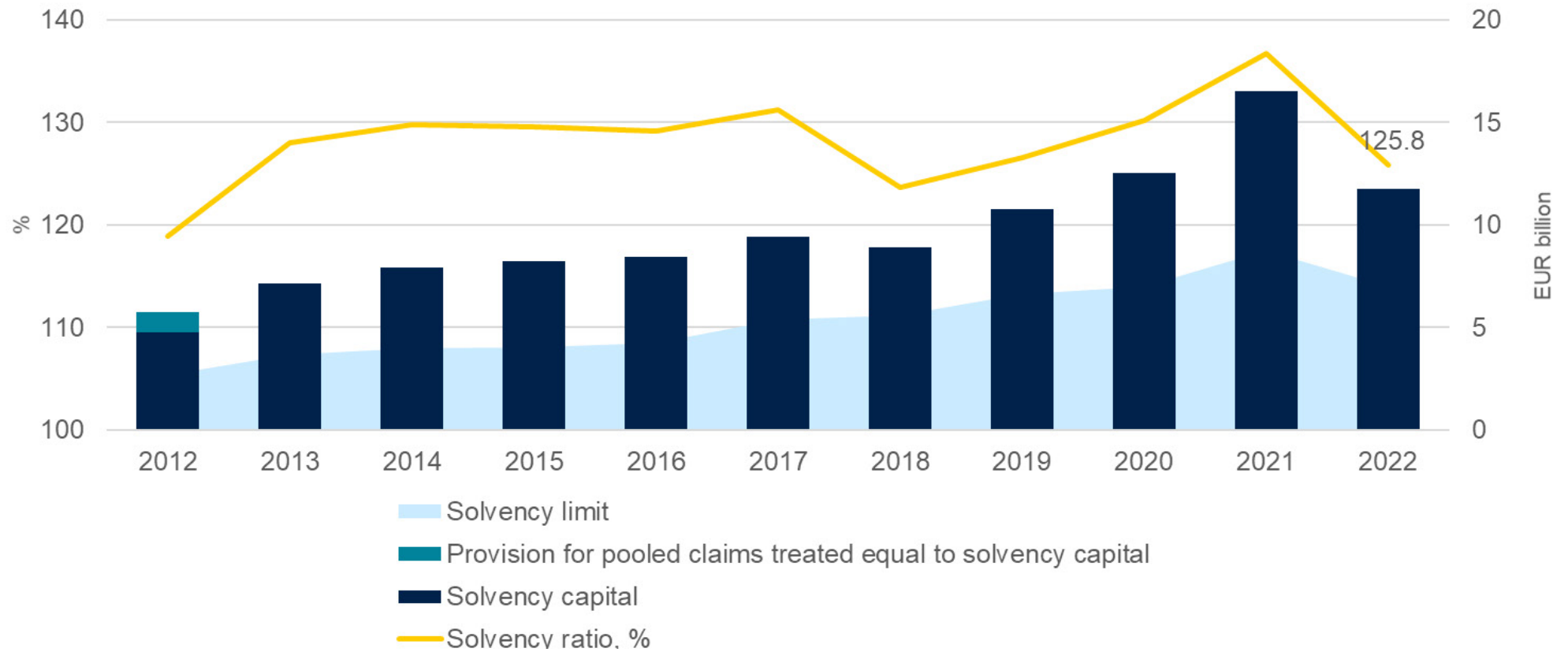
Geographical breakdown of listed equities



Fixed income investments by type of investment



Solvency



Solvency describes our ability to cope with the risks that are related to managing pension provision and pension assets. That is why solvency, or our ability to face investment risks, also affects the amount of excess assets that we can refund to employers.



Environment (E)

Kuva: Lassi Antila

The environment is an essential part of our sustainability work

Environmental issues are an integral part of our sustainability work. The most material issues are the impacts on climate change and biodiversity loss. We have set goals to mitigate climate change and to safeguard biodiversity.

Climate

Climate impacts of Ilmarinen's own operations

We aim to actively contribute to climate change mitigation also in our own operations, not just indirectly through our investment portfolio. We require our investees to set climate targets and report on climate issues, and we do the same ourselves.

Our goal is to take into account the environmental impacts of our operations, starting with climate change. We began by studying the emissions from our own operations and measured the emissions from our entire value chain using an external service provider. We calculated our carbon footprint for three

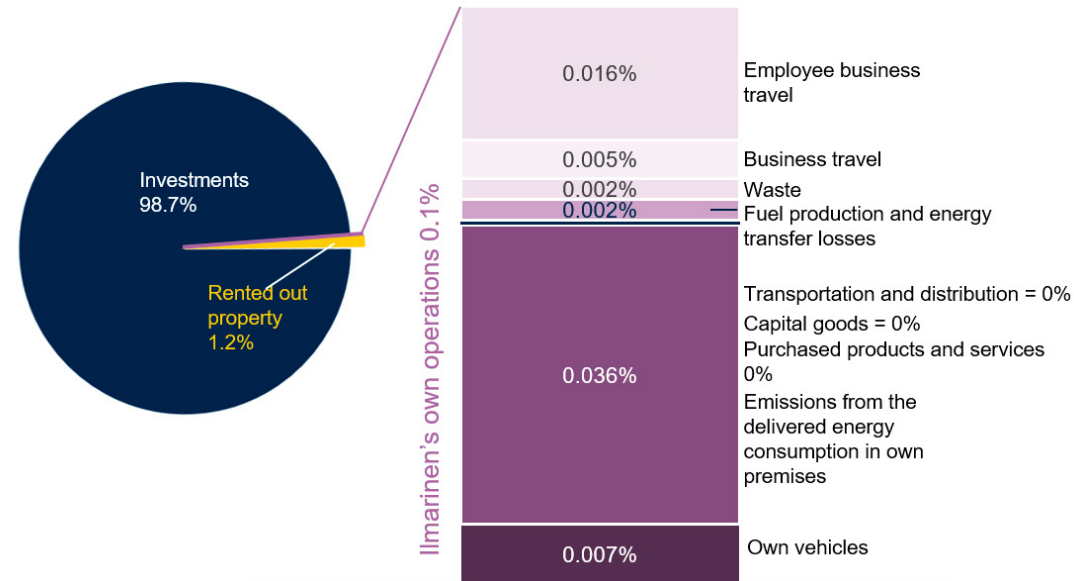
years to achieve comparability: 2020, 2021 and 2022. Based on the work, we will create a plan for climate actions in our own operations and set goals to mitigate climate impacts.

Ilmarinen's carbon footprint calculation was carried out in accordance with the international GHG Protocol. The starting point for the calculation was to comprehensively consider the direct and indirect greenhouse gas emissions caused by the company's operations.

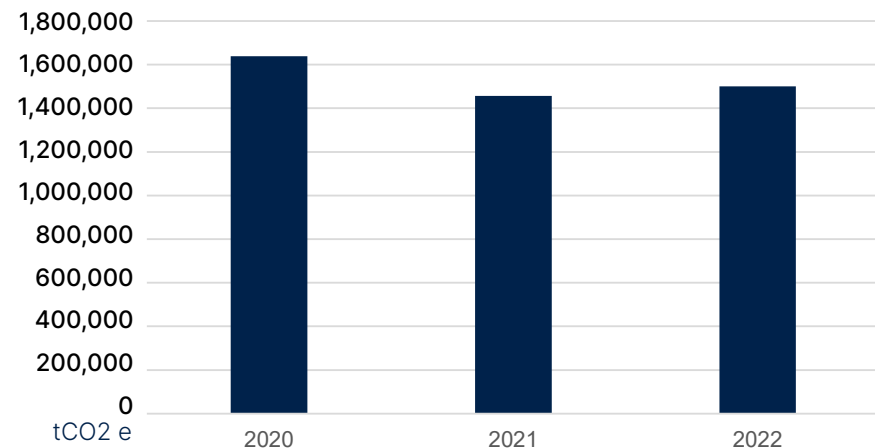
Ilmarinen's carbon footprint calculation includes:

Scope 1 emissions, i.e. direct emissions from the company's own operations, include the emissions from the company's vehicles.

Climate impact of Ilmarinen's own operations



Total Scope 1, 2 and 3



Scope 2 emissions, i.e. indirect emissions from energy consumption, include the emissions from purchased energy in the company's own facilities.

Scope 3 emissions, i.e. other indirect emissions include purchased goods and services, capital goods, fuel production and energy transfer losses, transportation and distribution, waste generated in operations, business travel, commuting, leased assets

and investments.

In 2022, the direct emissions from Ilmarinen's own operations and the emissions from energy consumption made up 0.05 per cent of total emissions. The majority, altogether 98.7 per cent, are related to indirect emissions (Scope 3 emission sources) and, more specifically, to investments.

When comparing the absolute emissions during three consecutive years, the emissions have

decreased by 8 per cent from 2020 to 2022. Thanks to the green energy used in the properties, the emissions caused by real estate have decreased by 58 per cent from 2020. In 2022, Ilmarinen's total emissions were approximately 1,500,310 carbon dioxide equivalent tonnes (tCO₂e).

Climate impacts of our investment activities

The average temperature on Earth has already risen by 1.2°C compared to the pre-industrial level. According to the UN's reports, global warming is currently progressing towards the three-degree limit, which can have serious implications. Reaching the goals of the Paris Agreement is an urgent, global challenge.

Since our target is a net zero carbon pension asset investment portfolio by the end of 2035, we strive to contribute to reducing the carbon footprint of our investees. In our Climate Roadmap for investments, we disclose the interim targets, the main actions taken and the ways we monitor our progress towards our goal.

The only way to mitigate sys-

temic risk is to effect change in the real economy. Thus, we want to facilitate real-world emission reductions through investing also into transition of high emitting economic activities. This transition is necessary to enable the global economy to decarbonize.

When investing in high-emitting sectors, we aim to select the best performers in each sector based on the carbon risk. As we see it, the owner can achieve more real emission reductions by engaging with companies than by divesting investments from its portfolio. More information about our climate principles can be found in our [Responsible Investment Policy \(pdf\)](#).

We report more extensively on the risks and opportunities related to climate change for our investment activities in the [TCFD section](#).

Basic assumptions about the impacts of climate change on investments

In our view:

- Climate change has changed and will change how the economy and companies operate in future.
- The concrete impacts of climate change will weaken companies' business opportunities in the form of, for example, extreme weather conditions.
- Climate change causes significant changes in the value of investments. High emission reduction targets give rise to new business and investment opportunities relating to, for example, lowcarbon technology and climate change mitigation and adaptation.
- Climate change creates sustainable growth opportunities in the transition towards low-carbon economy.

Impacts on the built environment

GRESB assessment in use in international real estate

For the second time our international real estate investments participated in the global GRESB

assessments (Global Real Estate Sustainability Benchmark) of ESG performance. The assessed real estate assets included 18 office buildings (same as in 2021) with a total value of about EUR 3 billion. For the second year in a row, we received four stars out of five. Score rose from 82 points to 86 points out of 100. Already good

evaluation improved further. We ranked in the comparison group into the best quarter.

GRESB is a community established by investors. It provides its members the opportunity to measure, benchmark and develop the ESG performance of their real estate assets. With a membership base of over 170 institutional in-

vestors, GRESB's ESG data covers real estate and infrastructure assets worth around EUR 6,000 billion.

GRESB assessments cover the various dimensions of sustainability, from managing sustainability at the company level to the stakeholder collaboration and the environmental efficiency of the real estate portfolio. GRESB assessments are conducted annually, with more than 1,500 entities from 66 countries participating in 2021. The assessment was based on the reporting year 2021.

Investment footprint

	2022	2021
High carbon risk level max. 30% of the operations of the investees. Target 10% by 2025.	20%	20%
Calculated effect of energy savings measures on the energy consumption of properties, MWh/yr	1,010	1,616

TETS and VAETS refer to the Ministry of Economic Affairs and Employment's energy efficiency agreements that we have committed to.

Real estate key figures

	2022	2021
Customers' overall satisfaction with leased office premises	4.06	4.1
Overall satisfaction with real estate maintenance	4.26	4.2
Customers' overall satisfaction with leasing, office premises	4.06	3.91
Completed homes (flats)	115	194
Accessibility surveys in Ilmarinen's flats	0	54
Accessibility surveys in office premises	1	-
Overall satisfaction with real estate development	4.45	4.2

We use circular materials in construction

We integrate climate, circular economy and biodiversity goals into construction. The key aspects in our design guidelines are reuse and zero waste planning, system-level sustainability, i.e. replaceability of spare parts and the generation and use of renewable energy. A sustainable circular economy is not possible without renewable and clean energy.

Together with the entire value chain, we aim to develop the best solutions in terms of the climate emissions of the projects

Water intensity of the properties

	2022	2021
Water consumption of flats m ³ /m ² /year	0.97	1.16
Water consumption of office premises m ³ /m ² /year	0.21	0.16
Water consumption of foreign office premises m ³ /m ² /year	0.32	0.37

Energy intensity of the properties

	2022	2021
Energy consumption of flats, kWh/m ² /year	118.7	132.8
Energy consumption of office premises kWh/m ² /year	194.8	184.8
Energy consumption of foreign office premises kWh/m ² /year	155.8	172.9

throughout their life cycle. Our good collaboration with authorities, construction companies, designers and consultants plays a key role. In all purchases related to property development, we emphasise the goals of sustainable, responsible and low-carbon construction.

We also work closely with material suppliers to find low-carbon materials. Whenever possible, we use circular materials, such as waste, excess and demolition materials. Waste materials are products that are left over from construction projects. Companies are developing new circular materials and offerings. This helps shift the focus away from so-called virgin products.

The circular solutions currently in use need to be developed and expanded to evolve into large-scale solutions. Single players

cannot achieve this alone: collaboration between social actors and a smart regulatory framework are key enablers in creating innovative solutions and making them mainstream. Low-carbon materials must always be healthy, safe, durable and economic.

Taxonomy reporting

The taxonomy, a classification system for sustainable economic activities, is part of the EU's sustainable finance regulation. The taxonomy's objective is to increase the market participants' common understanding of what constitutes sustainable economic activity. If the taxonomy reaches its goal, it will help market participants use a more uniform approach to identify and compare sustainable investments. The taxonomy reporting obligation also applies to earnings-related pension insurance companies. In the classification under Article 8 of the Taxonomy Regulation ((EU) 2020/852), earnings-related pension insurance companies belong to the category 'non-financial undertakings', which means that only real estate business shall be reported on in the statutory taxonomy-eligible section. Reporting on real estate business only concerns the acquisition and ownership of buildings. Earnings-related pension insurance companies engage in real estate business only for the purposes of ownership, which means that net sales are only generated through ownership.

An economic activity is taxonomy-aligned when the following three criteria are met:

1. it significantly contributes to one or more of the six environmental objectives.
2. it does no significant harm to the other objectives (Do No Significant Harm, DNSH criteria)
3. it is carried out in compliance with the minimum safeguards laid down in the UN's, OECD's and ILO's ethical labour and human rights principles (Minimum Social Safeguards, MSS).

Technical screening criteria

An economic activity belonging to the taxonomy category 'Acquisition and ownership of buildings' is evaluated using the following technical screening criteria for substantial contribution to climate change mitigation and substantial contribution to climate change adaptation:

Substantial contribution to climate change mitigation

- Buildings completed before 31 December 2020

- the building has at least a class A energy performance certificate
- the building is within the top 15 per cent of the national or regional building stock in terms of energy performance
- For buildings completed after 1 January 2021, we follow the criteria in line with the technical criteria.

Substantial contribution to climate change adaptation

- Assessment of climate-related risks and vulnerabilities
- If no energy efficiency rankings are available for the financial statements, energy efficiency certificates are the only technical screening criterion used.

If the same real estate complex includes several buildings with different energy classes, the energy class according to the lowest criterion is used as the energy class for the whole complex.

Buildings under construction are classified as taxonomy-eligible but, since no energy efficiency class is available for them, they are not taken into account in the classification according to the taxonomy.

The evaluation of and reporting

on the fulfilment of Ilmarinen's technical criteria requirements under the EU taxonomy were carried out by Raksystems. The report evaluates the EU taxonomy criteria for Ilmarinen's Finnish real estate and real estate companies (116) based on the requirements for existing buildings, with the exception of three buildings completed after 1 January 2021, which are evaluated based on the criteria for new buildings.

Criteria for 'do no significant harm'

According to Commission Delegated Regulation (EU) 2021/2139, Annex II, Section 7.7 Acquisition and ownership of buildings (p. 323–324), the criteria for 'do no significant harm' are applied to climate change mitigation, establishing that the buildings are not used for the procurement, storage, transportation or manufacture of fossil fuels. Since the procurement, storage, transportation or manufacture of fossil fuels is not part of the business of earnings-related pension companies, our interpretation is that these criteria do not apply to earnings-related pension companies.

According to Commission Delegated Regulation (EU) 2021/2139, Annex II, Section 7.7 Acquisition and ownership of buildings (p. 132), the criteria for ‘do no significant harm’ to climate change adaptation are applied if the activity meets the requirements set out in Appendix A to the Regulation through an impact on climate-related hazards. The criteria for substantial contribution to climate change adaptation are not met because no climate hazard studies required by the criteria for ‘do no significant harm’ have been drawn up for any buildings.

Minimum social safeguards

According to earnings-related pension companies’ interpretation, the taxonomy reporting requirements only concern the acquisition and ownership of buildings and that, instead of carrying out a separate analysis of the minimum social safeguards for real estate business, the companies analyse their business as a whole. According to our interpretation, the requirement for minimum safeguards is not fully met for the business as a whole, which is why we only report

taxonomy-eligibility, not taxonomy-alignment. We will work on the fulfilment of the minimum safeguards and identify the human rights risks and impacts of our operations.

Our taxonomy reporting thus only covers the technical screening criteria for a substantial contribution to climate change mitigation and adaptation. If the criteria for ‘do no significant harm’ and minimum social safeguards were fully met, the share of taxonomy-aligned business belonging to the category ‘Acquisition and ownership of buildings’ would be 18 per cent where climate change mitigation is concerned.

Taxonomy eligibility and taxonomy alignment

Statutory disclosures

In 2022, the proportion of taxonomy-eligible turnover as referred to in the EU’s Taxonomy Regulation in Ilmarinen Group’s turnover was 2 per cent, the proportion of taxonomy-eligible capital expenditure in Ilmarinen Group’s capital expenditure was 69 per cent and the proportion of taxonomy-eli-

	Taksonomy eligibility (%)	Taksonomy alignment (%)
Real estate business		
Turnover	2 %	0 %
Operational expenditure	2 %	0 %
Capital expenditure	69 %	0 %

gible operational expenditure in Ilmarinen’s Group’s operational expenditure was 2 per cent.

The key result indicator forms are presented as an attachment to the Report on Operations.

Voluntary disclosures

The non-financial undertakings category is not applicable as such to earnings-related pension companies and does not provide a true overall picture. From the perspective of earnings-related pension companies’ operations, the proportion of taxonomy-eligible turnover in their investment assets is more relevant information than statutory taxonomy reporting. That is why Ilmarinen also voluntarily discloses information on the taxonomy-eligibility of investment activities.

At this stage, the disclosures cover listed equities, direct

corporate bonds, indirect listed equities and indirect corporate bonds. In these asset classes, the proportion of taxonomy-eligible activities as referred to in the EU regulation was 25 (24) per cent for climate change mitigation and 26 (25) per cent for climate change adaptation. The data is calculated using data provided by an external service provider such that Ilmarinen’s taxonomy reporting is based on the taxonomy classification provided by Factset. It determines companies’ taxonomy-eligibility based on turnover, sector and activity.

Climate change risks and opportunities according to TCFD

Climate change is one of the most significant crises of our times. It has far-reaching repercussions for the economy and businesses, including investment portfolios. That is why it is important for institutional investors, such as Ilmarinen, to identify and manage climate-related risks and opportunities. In the following section, we report in more detail on the risks and opportunities related to climate change that affect Ilmarinen's operations.

Governance (G)

The Board of Directors approves the Responsible Investment Policy, which addresses the environmental principles of investments, including climate principles. We present the results of the climate work to the Board of Directors at least once a year as part of reporting and approval of policies. The Board of Directors has approved our target of achieving a net zero portfolio by the end of 2035. In the Audit Committee

under the Board of Directors, we address climate change risks and opportunities that have an impact on the allocation as part of the Own Risk and Solvency Report.

Our Responsible Investment Executive Committee is responsible for the implementation and monitoring of responsible investment. It convenes at least once every quarter. The Responsible Investment Executive Committee provides guidance and defines how climate change risks and opportunities are integrated into investment decision-making, and monitors how this is implemented in practice. The Responsible Investment Executive Committee also sets interim targets to achieve the net zero carbon target. The Responsible Investment Executive Committee includes the President and CEO, the Chief Investment Officer, the Head of Responsible Investment and other persons from Ilmarinen's Executive Group, investment unit, legal functions and communications.

The heads of the different asset classes, such as the head of equity investments and the head of real estate investments, are responsible for the practical implementation of responsible investment. Responsibility is part of all our investment decisions.

Strategy (S)

Climate change is a significant and material risk for the global economy. It is a systemic risk, which means that it may affect investment portfolios regardless of asset class, sector and geographical area. The economic impacts of climate change can vary in their timing, scope and direction.

We have diversified our investments broadly, and our investment horizon is long. Therefore it is crucial for us to understand the possible impacts of climate change on our investments especially in the medium and long terms.

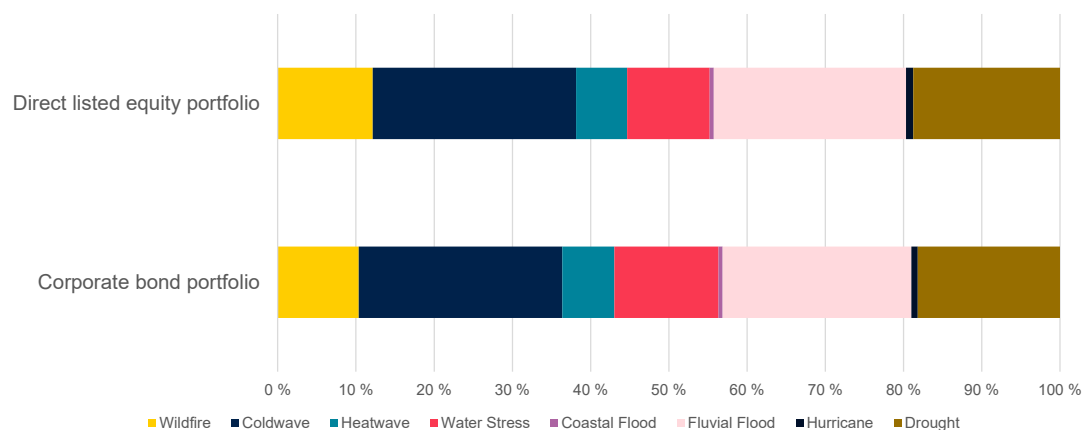
Transition risk

Transition risks arise from the transition to a low-carbon economy. Examples of transition risks include political and legislative risks, risks related to changes in markets and technologies and reputational risks.

Physical risk

The physical climate change risks affecting an investment portfolio can be acute or chronic – sudden occurrences or new phenomena that develop gradually over time. Examples of physical risk are storms, flooding and local climate-related changes in precipitation and temperature. Physical risks affect companies in many ways, such as interruptions of production and disruptions in the supply chain. The physical risk analytics are still new, and at this stage, we assess the risk as indicative data on the portfolio level.

Relative shares of physical risk



Of the modelled physical hazards that our direct listed equity portfolio and corporate bond portfolio are exposed to, cold waves and floods were the main sources of physical climate risk. Drought, wildfires and water shortage were also significant sources of risks. The role of water shortage as a source of physical climate risk decreased compared to the previous year. The relative changes between the hazards between the reporting years are currently typically related to the increase in the service provider's data coverage and the development of its evaluation methods.

Responsibility in index solutions

We have used ESG benchmarks in equity investments for a long time, but they are not sufficient to lead us to a net zero carbon portfolio by the end of 2035. That is why we decided in 2022 that, as of the beginning of 2023, we would start using, in our equity investments, an index family that better integrates the climate aspect. Ilmarinen was involved in developing the new MSCI Climate Action index family where companies are scored based on climate criteria while also taking into account the general ESG criteria.

The method rates the companies in each sector based on climate criteria. The emission intensity is not the only criterion used in the assessment of climate impacts; instead, the method also accounts for climate-related targets, positive climate solutions and the consideration of climate risks. The index selects the top half of companies by count in each sector.

In equity investments, we have long been using a benchmark index that integrates sustainability matters. In 2022, we introduced an ESG benchmark index for bonds for the emerging markets and prepared the introduction of an ESG benchmark index for developed markets as of the beginning of 2023.

Scenario analysis

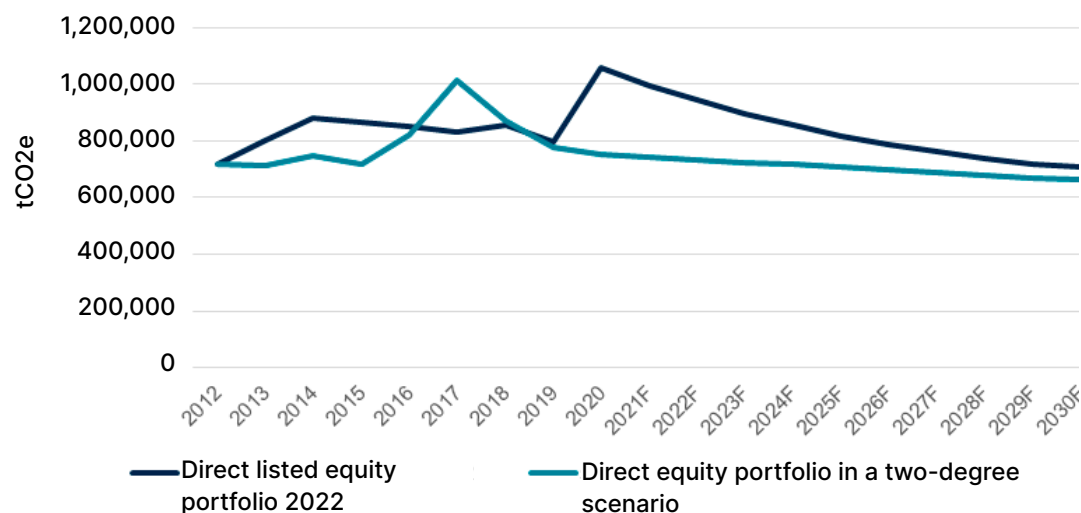
One way to monitor the development of a portfolio's climate targets is to use the two-degree scenario analysis aligned with the Paris Agreement. The data is indicative, as the calculation models are constantly evolving.

The coverage of the calculation in the listed equity portfolio is around 97 per cent and in the

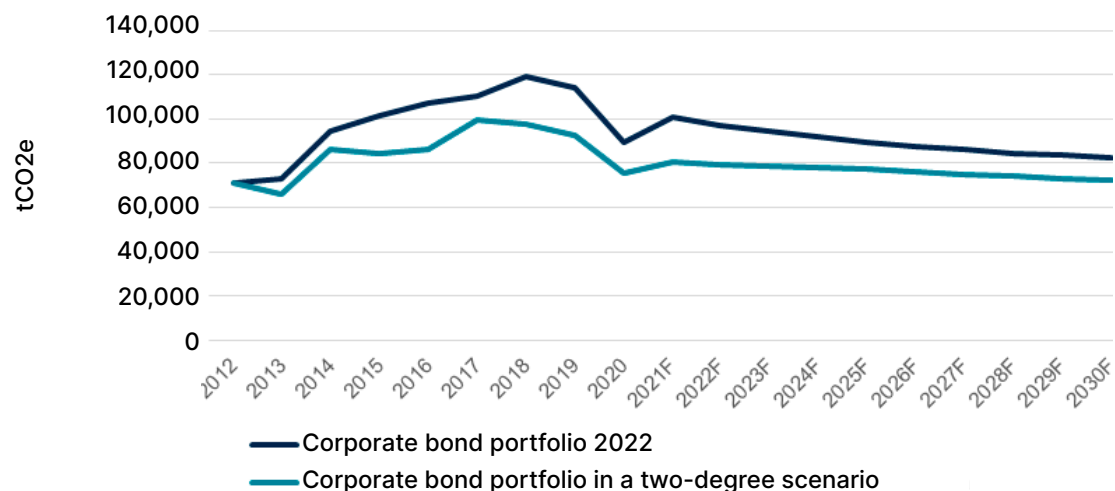
corporate bond portfolio only some 78 per cent. The low coverage of the bond portfolio can be explained by the proportion of non-listed companies of the issuers and the lower coverage of data for non-listed companies. We expect the quality of the data to further improve in the next few years, which is why we want to monitor both the development of the calculation and the indicative results already at this point.

Our goal in the Climate Roadmap for direct listed equity investments and corporate bonds is to achieve a portfolio aligned with the two-degree scenario by the end of 2025. In 2022, the direct listed equity portfolio exceeded the two-degree scenario by 11 per cent (15% in 2021, 20% in 2020). The portfolio's alignment improved again towards the target set by Ilmarinen's Climate Roadmap. In 2022, the corporate bond portfolio exceeded the two-degree scenario by 17 per cent, which was a slight weakening compared to 2021 (15 per cent in 2021, 22 per cent in 2020). The corporate bond portfolio has a significantly smaller size than the direct listed equity portfolio and is thus more vulnerable to individual changes.

Development of emissions in relation to the two-degree scenario, 2012–2030: direct listed equity investment portfolio



Development of emissions in relation to the two-degree scenario, 2012–2030: direct corporate bond portfolio



Fossil fuels and renewable energy

In accordance with our Climate Roadmap, we have excluded from our direct listed equity and corporate bond portfolio investments in companies that make new investments in coal-based energy production or thermal coal mining. In 2022, we did not have any such investments, which is a target set in our Climate Roadmap. Overall, investments in coal-based energy production made up 0.24 per cent (0.36) of the direct listed equity portfolio and 0.13 (0.10) per cent of the direct corporate bond portfolio.

The target of the Ilmarinen Climate Roadmap is for at least 40 per cent of the portfolio's energy production to be renewable energy by 2030. In 2022, the share of renewable energy of the portfolio's energy production (GWh) fell to some 26 per cent in both the direct listed equity portfolio (38 per cent) and the direct corporate bond portfolio (37 per cent). The share of wind, solar, tidal and geothermal power generation grew, but especially the share of biomass in energy generation fell significantly.

Ilmarinen's target for direct listed investments for 2030 is to have no coal-based energy production in the portfolio. In 2022, energy production based on thermal coal made up some 15 per cent (10 per cent) of power generation (GWh). We have identified our portfolio's most significant companies using coal in energy production and we are engaging in active dialogue based on the targets of our Climate Roadmap.

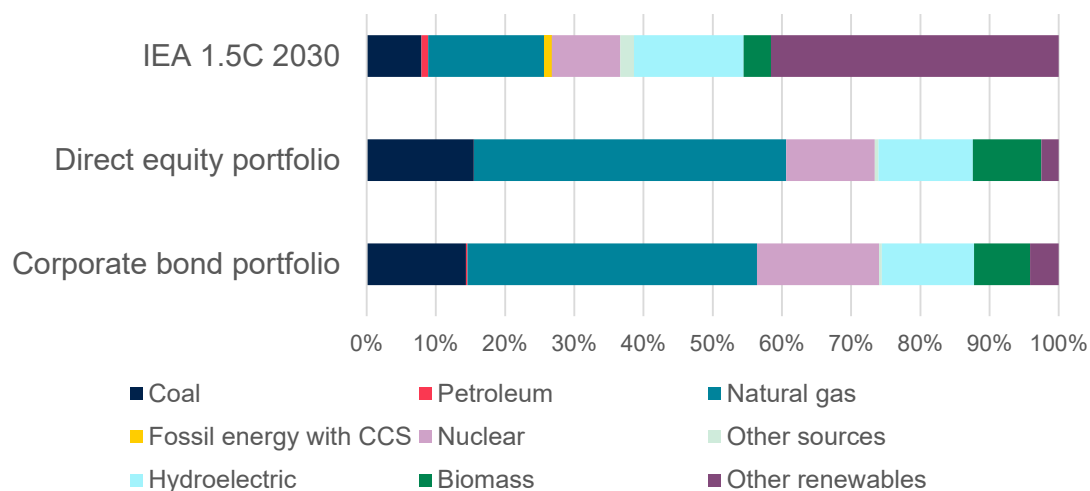
The International Energy Agency (IEA) has prepared an estimate of how energy should be produced globally to keep global warming within the limits of the 1.5-degree trajectory. The figure below presents IEA's estimate of the relative shares of energy production for 2030 and the energy production modes of Ilmarinen's direct listed equity and corporate bond portfolio in 2022.

Risk management (R)

We have two approaches to analysing climate-related risks:

- 1. Top-down:** assessment of climate impacts on the macroeconomic level – asset classes, sectors, geographical areas

Energy production in relation to the 1.5-degree scenario



2. Bottom-up: assessment of climate impacts at the investee level

In the macro-level top-down model, we assess how the pre-determined climate change scenarios affect the economy and the capital market. The top-down climate scenario analysis is a holistic approach that helps assess climate-related risks on, for example, portfolio returns and the solvency ratio, over various time horizons. This is paramount for

investors who wish to secure the value creation potential of their portfolio by taking climate change into account in their investment decisions.

As regards listed securities, the bottom-up model helps us measure historical and forward-looking climate risks starting from the investee level. By analysing historical data, such as data concerning individual companies' carbon footprint, we can quantify the greenhouse gas emissions included in the investment portfolio.

Carbon data, such as absolute greenhouse gas emissions, can be normalised using an economic key figure, such as turnover or the value of the company. This makes it possible to examine the data concerning carbon intensity and compare companies or investment portfolios, for example. In addition, this allows us to assess many other aspects, such as dependency on fossil fuels. This gives a better picture of the exposure to business that involves stranded asset risks, in other words risks related to reserves that are no longer able to generate a financial return. They can materialise during the transition to a low-carbon economy.

In the forward-looking portfolio-level analysis, we assess, among other things, how the development of emissions is aligned with the two or 1.5-degree targets of the Paris Agreement.

The bottom-up analysis depends on the asset class. In Finnish direct real estate investments, for example, we assess each building's life cycle carbon footprint already at the construction phase.

We aim to engage our investees to consider climate risks

in their operations. Ultimately, divestment of investments is one of our ways to manage climate risk. This means divesting coal- and fossil-dependent companies that do not take the climate risks affecting their operations into account. We may decide to sell an investment if the company involves a climate risk that, according to our internal principles, is too large and uncontrolled and/or if climate engagement has not been successful.

Climate risk management is integrated into the company's overall risk management

Climate change may have a fundamental impact on economic growth and the laws of the economy and the investment markets, which may differ from those we are used to due to climate change.

During 2022, a simulation modelling was carried out at Ilmarinen to assess the impact of climate change transition risks and physical risks on investment returns and further on solvency in the longer term. Climate scenarios depict possible change pathways related to climate action. The

current situation was compared to three different climate scenarios: the Paris orderly pathway, the Paris disorderly pathway, the failed transition pathway. The outcome was that the impact is negative regardless of the climate scenario, and especially if the temperature rises more than 1.5 degrees Celsius (the Paris disorderly scenario and the failed transition pathway), this will have a significant impact on solvency in the longer term. However, at this stage, the results are still subject to considerable uncertainty, because the models used to assess the impact of climate change on the market values of investments include a lot more assumptions and understudied historical connections than traditional economic models do.

Metrics and targets (M)

Calculation methods and scope

We use an external service provider for analysing climate-related risks and opportunities at both the company and portfolio levels. This includes both backward-looking analysis – such as the carbon footprint – and forward-

ward-looking analysis – such as the two-degree scenario modelling and the assessment of transition risks and physical risks. The figures for 2022 are calculated by S&P Trucost, as in the previous year. The calculations are based on sector averages where no public, verified data on the investee's emissions is available. Furthermore, we use data produced by various service providers to assess climate-related risks and opportunities.

We have access to extensive information on the climate risks of our investments. We disclose the carbon footprint of both our direct and indirect listed equity investments and corporate bond investments (scope 1 and 2). We also disclose the carbon footprint of our government bonds. In addition, we report comprehensively on the climate impacts of our real estate investments, for example.

In 2022, the share of companies disclosing their greenhouse gas emissions of our direct listed equity portfolio was 88 (86) per cent. In our corporate bond portfolio, that proportion was 79 (67) per cent. The proportion of reporting entities grew from the previous year.

Roadmaps leading the way to a net zero carbon investment portfolio

Our Roadmaps help us achieve our target of a net zero carbon investment portfolio by the end of 2035. The first Climate Roadmap covered the years 2016–2020. In 2021, roadmaps were prepared for direct listed equities and Finnish real estate. In 2022, we expanded our Climate Roadmap by defining targets and metrics for two further asset classes: corporate bonds and international real estate.

[Ilmarinen Climate Roadmap 2022 \(ilmarinen.fi\)](https://ilmarinen.fi/ilmarinen/Climate-Roadmap-2022)

In addition to adding new asset classes, we also updated the existing roadmap. We added a brief description of the carbon handprint and updated our practices related to voting in climate change matters at General Meetings. We also described climate engagement in more detail. In the roadmap for Finnish real estate, we added measures already taken and updated our target related to environmental certifications: our new target is to have LEED Volume certification for all our office buildings by 2025, instead of by 2030.

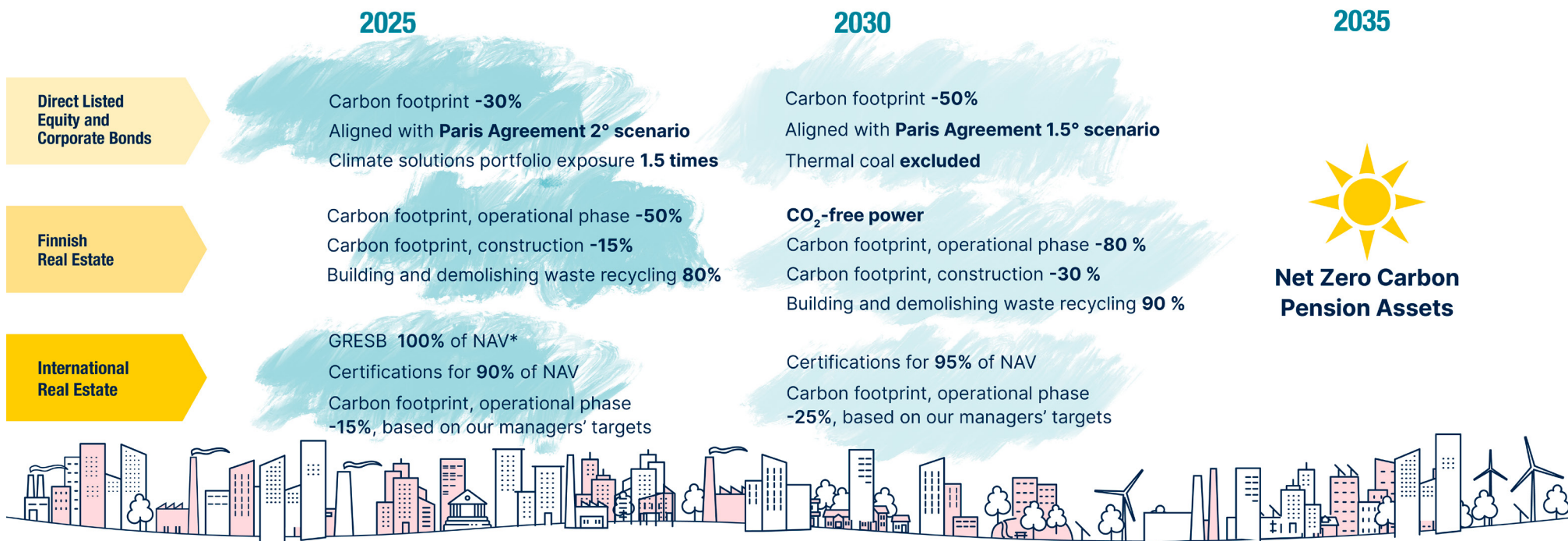
We will add new asset classes in the coming years and update the targets as new information becomes available.

Carbon footprint of investments

Carbon footprint reporting covers listed direct and indirect equity investments and corporate bonds, government bonds and real estate. Going forward, we will look for opportunities to increase the coverage of climate-related data and analytics and, as a result, the coverage of reporting, also when it comes to non-listed investments, for example. In 2022, instead of the general market index, we used ESG indices which include the companies with the highest environmental, social and governance rated performance in their respective sectors and geographical areas, as the benchmark indices for international direct listed equity investments. The weighted average carbon intensity of these indices is significantly lower than that of the so-called parent indices.

The direct listed equity portfolio's weighted average carbon intensity (WACI) decreased by roughly 6 per cent compared to the previous year and is slightly

We invest in a sustainable future – net zero carbon pension assets 2035



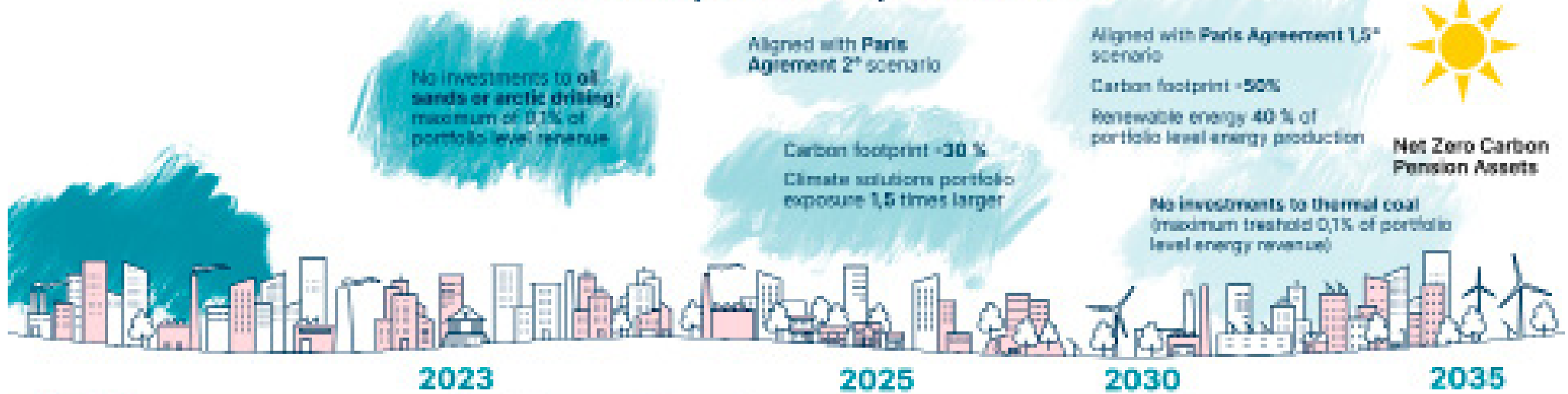
Past actions	CLIMATE ROADMAP 2021–2035			
Principles for Responsible Investment 2006 Climate Roadmap 2016–2020 TCFD-reporting 2019 2021 Joining IIGCC's Paris Aligned Investment Net Zero Asset Owner -initiative	No companies in portfolio extracting thermal coal or planning new thermal coal power investments CO₂-free electricity in our Finnish Real Estate	Advocacy, collaboration, and engagement to support transition Increasing internal knowledge about climate issues, integrating climate targets as part of remuneration	Integrating climate risk to long term return and solvency scenarios	Continuous development of climate roadmaps and new asset class specific roadmaps

(* NAV = Net Asset value. Rule not relevant for all managers e.g., family offices where resources are more scarce.



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We invest in a sustainable future – net zero carbon direct listed equities and corporate bonds 2035



Past actions

First financial climate roadmap 2018-2020

New roadmap exclusions
Direct listed equities 2021
Corporate bonds 2022

- No investments in companies planning new thermal coal investments
- Companies deriving more than 1% of revenue from thermal coal extraction
- Additional screening and scrutiny for high emitting sectors

Measures going forward

High emitting sectors have the greatest need and potential for transition. Expanding our high carbon risk assessment universe means gradually lowering the threshold of investable high carbon business segments and tightening our climate criteria for investable companies.

New exclusions: thermal coal power and thermal coal value-chain, oil sands and arctic drilling

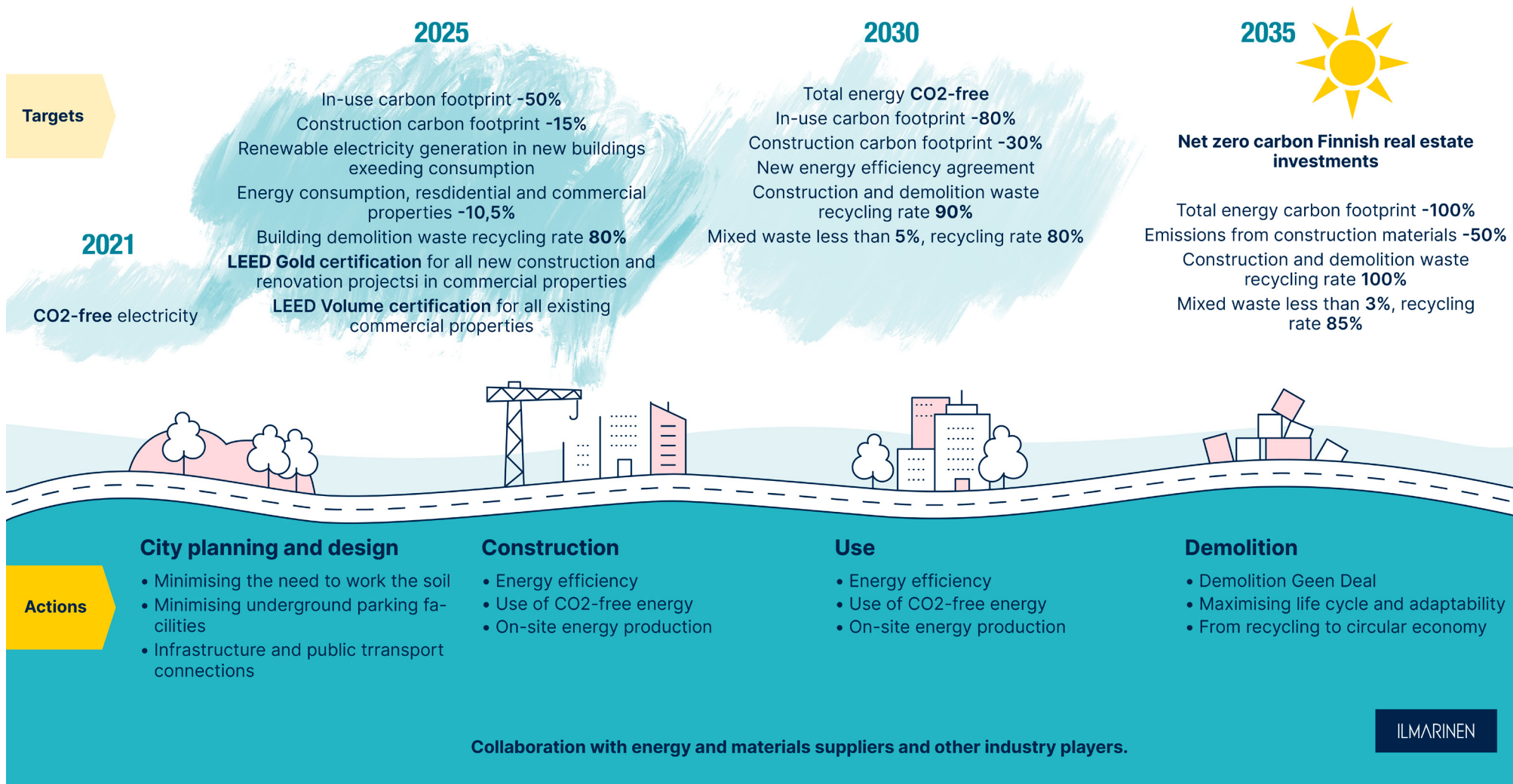
Benchmark solutions: use of ESG and climate benchmarks

Climate solutions: while decarbonizing our portfolio we continuously seek to invest in low-carbon opportunities

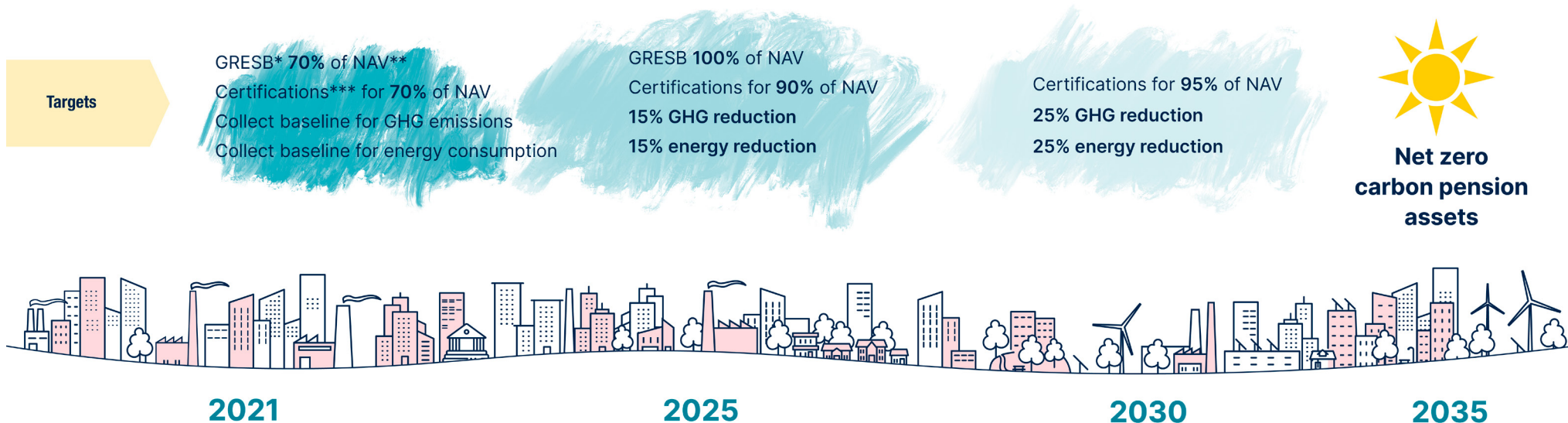
Continuous learning development of the roadmap, advocacy, engagement

Investee climate action expectations: Public commitment and target setting to greenhouse gas emissions reductions that are aligned with Paris Agreement

We invest in a sustainable future – net zero carbon domestic real estate investments and construction 2035



We invest in a sustainable future – net zero carbon foreign real estate investments 2035



Key goals	Our approach is built around the following themes	Key monitoring indicators		
<p>1. Net zero 2035</p> <p>2. Accelerate manager transition</p> <p>3. Encourage best practises</p>	<ul style="list-style-type: none"> • Reduce emissions - manager selection and portfolio construction • Active ownership and engagement • Advocacy and call for climate action • Partnership and continuous learning • Monitor key indicators • Report progress 	 GHG emissions	 Renewable Energy %	 Energy intensities
		 Diverted waste %	 Water intensity	 SBTi commitments

(*) GRESB = Global Real Estate Sustainability Benchmark.
 (**) NAV = Net Asset value. Rule not relevant for all managers e.g., family offices where resources are more scarce.
 (***) Certifications are applied to all assets where applicable and some may not be included in calculations.

higher than the weighted average carbon intensity of the benchmark index. In contrast, the absolute emissions of the direct equity portfolio grew. The indirect listed equity portfolio's weighted average carbon intensity (WACI) declined compared to the previous year.

The weighted average carbon intensity (WACI) of the direct corporate bond portfolio fell significantly compared to the previous year. The portfolio's absolute emissions also fell. This year, we reported for the first time the indirect corporate bond portfolio's carbon footprint (WACI), which

was higher than that of the direct portfolio.

The weighted average carbon intensity of the government bond portfolio was significantly lower compared to the previous year.

Greenhouse gas emissions of Ilmarinen's investments

	2022	2021
Direct listed equity portfolio		
Weighted carbon intensity (tCO ₂ e/MEUR sales, WACI, S1+S2)	145	154
Weighted carbon intensity in relation to aggregate benchmark (per EUR 1 mill. net sales)	7%	1%
Absolute emissions (tCO ₂ e, scope 1+2)	1,319,570	1,185,284
Indirect listed equity portfolio		
Weighted average carbon intensity (tCO ₂ e/EUR 1 million of net sales, WACI, S1+S2)	129	134
Absolute emissions (tCO ₂ e, scope 1+2)	316,975	
Direct corporate bond portfolio		
Weighted carbon intensity (tCO ₂ e/MEUR sales, WACI, S1+S2)	193	270
Absolute emissions (tCO ₂ e, scope 1+2)	161,526	224,521
Indirect corporate bond portfolio		
Weighted carbon intensity (tCO ₂ e/MEUR sales, WACI, S1+S2)	232	-
Absolute emissions (tCO ₂ e, scope 1+2)	164,531	-
Direct government bond portfolio		
Weighted carbon intensity (tCO ₂ e/GDP, WACI, D+FTI)	859	1,028

Companies that have reported on greenhouse gas emissions

	2022	2021
Proportion of investments with reported greenhouse gas emissions, listed equities	88%	86%
Proportion of investments with reported greenhouse gas emissions, corporate bonds	79%	67%

Carbon footprint of real estate

Carbon footprint of real estate investments

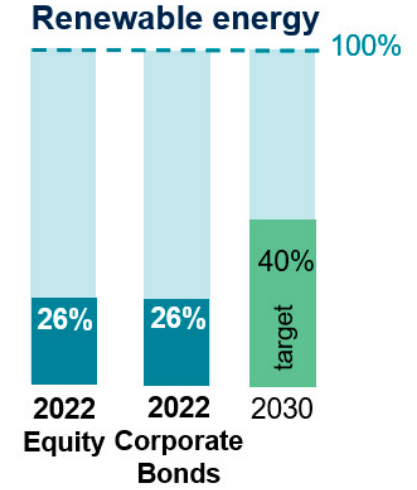
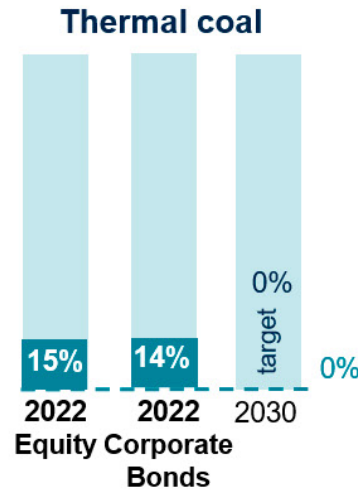
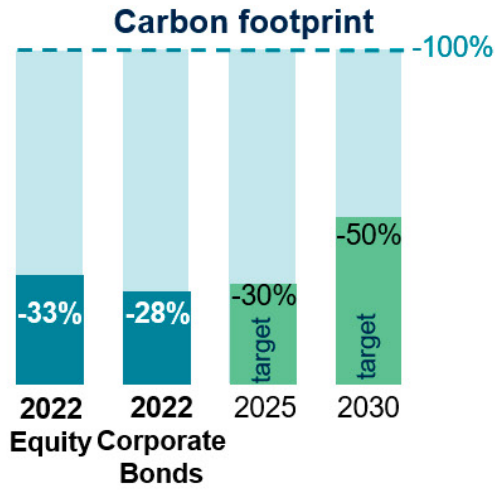
	2022	2021
Domestic real estate		
Finnish real estate total CO ₂ e/m ²	26	24
Warehouses kg CO ₂ e/m ²	18	18
Free-time residential buildings kg CO ₂ e/m ²	11	6
Offices kg CO ₂ e/m ²	32	30
Institutional care buildings kg CO ₂ e/m ²	36	41
Parking facilities kg CO ₂ e/m ²	90	60
Other kg CO ₂ e/m ²	11	0
Commercial buildings kg CO ₂ e/m ²	21	22
Hotels kg CO ₂ e/m ²	35	32
Residential buildings kg CO ₂ e/m ²	29	22
Foreign real estate		
Offices kg CO ₂ e/m ²	50	54
Commercial kg CO ₂ e/m ²	52	70
All real estate kg CO₂e/m²	31	33

Carbon footprint of new construction

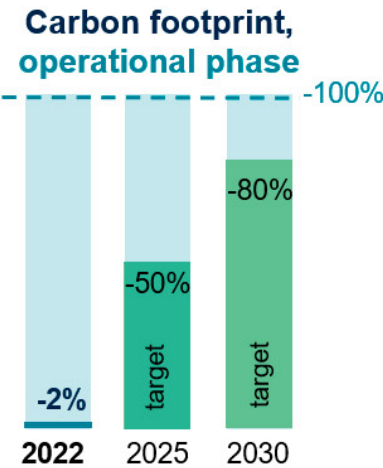
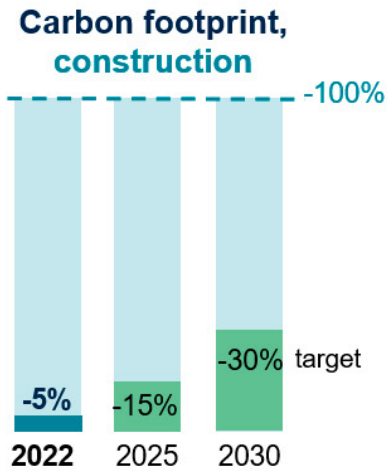
	2022	2021
Carbon footprint per square metre (kg CO ₂ e/net m ² , emissions)	375	389
Carbon footprint per square metre (kg CO ₂ e/useful floor area m ² , emissions)	495	502
Carbon emissions from construction in relation to annual net sales (tCO ₂ e/EUR 1 million)	111	109

Progress on Climate Roadmap targets

Direct Listed Equity and Corporate Bonds



Finnish Real Estate



Net Zero Carbon Pension Assets

Taking biodiversity into account

Natural capital including biodiversity, and the ecosystem services they generate, are crucial basis for enabling the global economy and human societies to function. The economic system is both profoundly dependent, and has a profound impact, on natural capital and biodiversity.

Similarly, as climate risk Ilmarinen views that biodiversity loss has the potential to affect investment portfolios across asset classes, sectors, and geographical regions. As a long-term risk averse investor, it is important for Ilmarinen to consider long-term risks related on biodiversity and natural capital. We opened these themes in [the Biodiversity Roadmap \(ilmarinen.fi\)](#) published in October 2022.

We foresee that biodiversity loss and related economic impacts are an increasingly relevant theme for investors, which is why we aim to follow the best available practices and contin-

uously develop our biodiversity approach to address our portfolio impacts and dependencies. This is the first time we report the risks and opportunities related to nature. We do it by using

the TNFD framework (Taskforce on Climate-Related Financial Disclosures). It is only in the development stage, as are other practices in the industry. We acknowledge that the way we re-

port may yet change significantly. However, we want to set an example and start reporting, even though we acknowledge that it is not yet perfect.

TNFD – biodiversity-related risks and opportunities adapted from TNFD's framework

Governance (G)

The Board of Directors approves the Responsible Investment Policy, which addresses the environmental principles related to investments, including taking biodiversity into account. The Responsible Investment Executive Committee approves the Biodiversity Roadmap and monitors its practical implementation. The Responsible Investment Executive Committee convenes at least once every quarter and includes the President and CEO, the Chief Investment Officer, the Head of

What is TNFD?

Taskforce on Nature-related Financial Disclosures (TNFD) is a new reporting framework. Its goal is to provide companies and investors with a unified way to report and publish information on nature risks and opportunities and to support the shift in financial flows towards and away from objects that are harmful to nature.

The framework is similar to the TCFD (Task Force on Climate-Related Financial Disclosures) framework whose core elements are governance, strategy, risk management, and metrics and targets. TNFD is expected to publish its final reporting framework during 2023.

Responsible Investment and other persons from Ilmarinen's Executive Group, investment unit, legal functions and communications.

Strategy (S)

Our approach to biodiversity:

1. We have built our understanding on biodiversity and mapped current approaches available for investors. Via this paper we also hope to share our insights with other market participants because we see shared learning and collaboration essential in internalizing biodiversity into economic decision making.
2. We have done preliminary analysis and screening of our listed portfolio to identify most biodiversity dependent and biodiversity impacting sectors and activities. Currently the materials sector has been identified as the most high-risk and high impact sector.
3. We are designing methods to further integrate biodiversity in our investment policy, e.g., enhanced due diligence, engagement with our investees and voting in favor of

meaningful nature-positive proposals.

4. We are developing further ways to report relevant information on our portfolio's impacts on biodiversity and aim to report through best industry standards once available. At Ilmarinen we take part in advocacy and building partnerships for shared learning, and we are continuously learning and trying to find ways to improve our biodiversity approach and knowledge around it.

Nature-related risks

The Taskforce on Nature-related Financial Disclosures (TNFD) beta framework (2022) defines nature-related risks as potential threats organization faces that are linked to its, and other organizations', nature-related impacts and dependencies. Nature-related risks can be divided into physical, transition and systematic risks. Transition risks can further be divided into regulatory, market, technology, and reputation risks. At Ilmarinen we look into nature-related risks in the

context of TNFD framework shown in the following table.

Analysis of nature dependencies and impacts in Ilmarinen's investment portfolio

Ilmarinen direct listed equity 2022 portfolio was assessed with the ENCORE-tool¹ with following findings:

In the direct listed equity 2022 portfolio, more than a third of companies rely heavily on nature on diversity and nature capital and three quarters have strong impacts to biodiversity. Most significant natural capital base for dependency was water resources. From impact perspective many natural capital bases were equally important. The most

significant industry in terms of dependencies is the materials sector, i.e. the raw materials industry and the impacts materials sector, and real estate sector.

Going forward, we aim to review these results also against suitable benchmark and take a deeper dive into the high risk sector with a view to develop new investment and portfolio management policies that can include e.g. enhanced due diligence, specific investment selection criteria, exclusions, and enhanced active ownership and engagement policies.

The analysis carried out is based on revenue data. It needs to be noted that ENCORE tool does not provide information on financial risk. Also, as it is today it does not consider geographical

¹ The information is based on data from sources retrieved by SEB, but SEB takes no responsibility for the accuracy of this information. Some information is based on assumptions and estimates of companies that do not report (for example sustainability data) in their annual reports. No warranty, expressed or implied, is made by SEB or any identified third-party supplier, as to completeness, accuracy, non-infringement of third-party rights, merchantability or suitability for a particular purpose and the information is not to be regarded as any form of creditworthiness or sustainability rating for the audited entities. The recipient of the information shall form his own opinion and draw his own conclusions about the companies covered by the information.

Table 1. Nature-related risk types. Retrieved from TNFD Beta v.01 (2022) and WWF Biodiversity guide for business (2022)

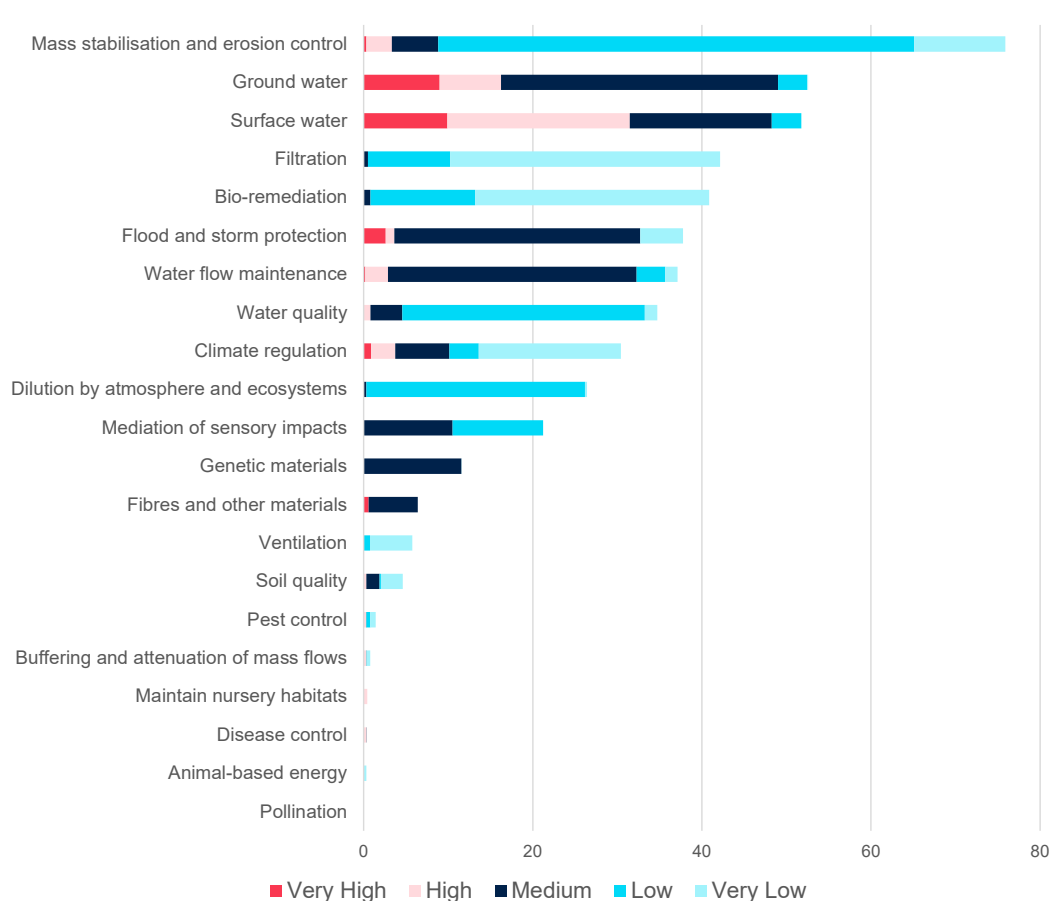
Nature-related risk type	Definition	Examples
Physical risks	Risks that are direct results of the organization's dependencies on nature and arising if natural systems are compromised, e.g., impact of climatic or geologic events or ecosystem equilibria changes.	<ul style="list-style-type: none"> • Loss of pollination populations reducing pollination dependent crop yields. • Costs associated to water resource depletion in areas with water dependent industrial facilities. • Operational disruptions from floods or landslides.
Transition risks a) Policy & legal b) Market c) Technology d) Reputation	Risks arising when organization's - or investor's - strategy and management are not aligned with the changing environment it operates in. Risks can lead to increasing costs and loss of revenue or brand value.	<ul style="list-style-type: none"> • Regulatory changes in land protections. • Consumer or investor preference changes shifting supply, demand, and finance. • New substitute products with a lower impact or dependency on nature. • Biodiversity misconduct in public eyes leads to decline of sales or share price, or damages brand value.
Systemic risks	Risks resulting from the entire system breakdown, rather than an individual part failure.	<ul style="list-style-type: none"> • Ecosystem collapse when critical natural system no longer functions. • Modest tipping points combine indirectly and lead to larger failures when physical and transition risks trigger a chain reaction (contagion).

location which is highly meaningful in biodiversity and natural capital context, nor does it consider management action by individual companies. ENCORE provides information on potential not actual impacts and dependencies. For information on actual impacts data on e.g., location and management measures would be needed. Thus, ENCORE generated information that is useful for high level "top down" screening and identification of likely high risk and high impact sectors and activities. This information helps investor for example in identifying sectors, and with additional company specific data from other sources, companies for targeted actions such as engagement and for enhanced due diligence measures.

Risk management (R)

For investors, the loss of nature is a significant risk, and it may not be possible to fully hedge against this risk, for example by diversifying investments. The need for risk mapping is clear as this allows both risk management and seizing opportunities. Therefore, it is also important for the investor to

Direct listed equity portfolio dependencies on ecosystem services (% of portfolio turnover)



understand the two-way effects of the investments on biodiversity: the exposure to biodiversity related risks by investments, as well as the effects of investment on biodiversity and natural capital.

Active ownership and engagement

Active ownership measures can be established to address biodiversity issues. These include proactive and reactive engagement processes

Proactive advocacy refers to the promotion of good and responsible practices. These processes help to build our understanding on natural capital and biodiversity. An example of proactive natural capital and biodiversity engagement is our engagement related to sustainable use of water through our Nordic Engagement Cooperation (NEC).

Investors need consistent and comparable information from companies and monitoring of actual changes in biodiversity is key to reduce the current reliance on impact estimations and proxies. For this reason, we aim to encourage companies in high risk and impact sectors to increase their biodiversity and natural capital related measuring and reporting through evolving global standards.

Ilmarinen also uses sustainability policy for proxy voting which takes sustainability related general/shareholder meeting items into specific consideration. We have taken some early steps, but many more actions are needed and continuous development,

es and voting policies. Reactive engagement aims to change the way companies operate, i.e., to identify violations of international environmental standards and take corrective action.

as in all ESG approaches, will be necessary.

Metrics and targets (M)

Significant progress has already been made in measuring climate change. In contrast, the comparable measurement of biodiversity is in many ways still nascent. It is also, in some respects more challenging than assessing climate change. With regard to climate change there is a single and global unit - tonne of carbon dioxide equivalent (tCO₂e), which can be measured and priced. However, for biodiversity similar single unit is not available because biodiversity has a wide range of local variations, making harmonization of measurement more challenging. While challenging, measuring and integrating biodiversity and natural capital related risks and impacts is crucial for long term resilience of the economic system.

In our Biodiversity Roadmap, we have set the following targets for taking biodiversity into account:

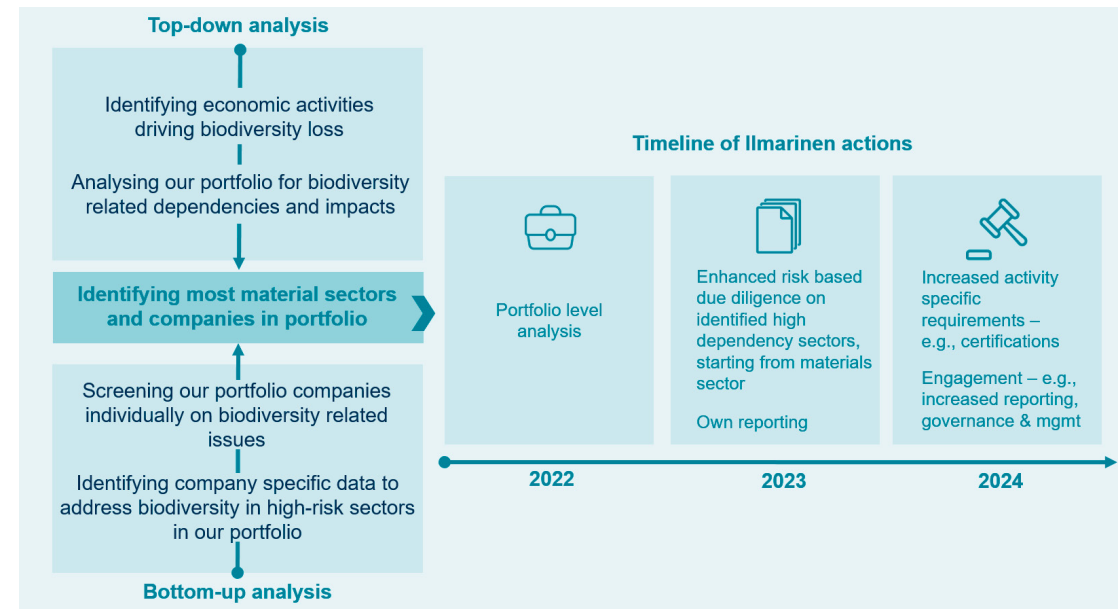
In 2023–2024

- Enhanced risk-based due diligence in identified sectors that are highly dependent on biodiversity, starting with the materials sector.
 - Self-reporting
 - Setting additional requirements on sectors with significant impacts on biodiversity, for example the use of certification systems.
 - Engagement strategies targeted at biodiversity
- In 2023, we will continue the implementation of our Biodiversity Roadmap. In the future, we will also assess, to the extent possible, the impact of our own operations on biodiversity.



Natural capital includes, for example, air, water and forests. Biodiversity is a key part of natural capital, and natural capital must be seen as capital that creates value for humans, alongside the traditional financial capital, for example.

Head of Responsible Investments Karoliina Lindroos





People and society (S)

Taking human rights into account

Earnings-related pension is part of statutory social security. In implementing it, we carry out a public administrative task – our impact on people and society is significant.

Human rights and adherence to them are an integral part of Ilmarinen's operations as a whole. Our impact on human rights shows in both our own operations and our investment portfolio. In our own operations, the most material human rights impacts are related to labour rights and personnel, sourcing and supply chains, and data protection. In our investment activities, the most material human rights impacts are related to human rights in the security portfolio companies (investees and investment partners), and to human rights related to real estate and property development.

Human rights impacts of our own operations

The most material human rights

impacts of our own operations are related to our customers, personnel and value chain management. The key human rights issues in our operations are equal customer service, realisation of data protection, equal and non-discriminatory treatment of personnel and human rights impacts in our value chain, such as in our sourcing chain.

Our goal is to assess the human rights impacts and risks of our own operations and thus foster the realisation of human rights more extensively in our operations. We will start in 2023 by assessing the human rights impacts, based on which we can take additional action to foster human rights.

Human rights related to employees, such as the equal and non-discriminatory treatment

of personnel, are addressed in more detail in the section [“We promote a responsible working life”](#). We provide more information on our work to improve responsibility and sustainability in supply chains, including human rights, in the section [“We manage value chains”](#).

Human rights impacts of investments

In our investment portfolio, human rights issues apply to investments in both securities and real estate. Our investment portfolio's climate and biodiversity work also has an indirect impact on human rights, especially in emerging countries.

Ilmarinen requires the companies it invests in to comply with, not only national legislation, but

also the UN Global Compact principles and related international norms concerning human rights, labour rights, the environment and corruption.

In addition to our own continuous monitoring, our external co-operation partner regularly reviews our direct listed securities investments and reports any suspected or detected norm violations. We take into account known norm violations when making investment decisions and systematically monitor new suspected violations.

In the case of any human rights or other violations, the company's primary approach is to engage, either alone or together with other investors and partners, with the company to fix its operations. If a company has been confirmed to have committed a

norm violation and has failed to take corrective action, we can invest in it only during an ongoing engagement process. If we end the engagement process without finding a solution, we will sell our holding if possible. If the company committing norm violations subsequently rectifies its activities, investing in it can be reconsidered through the normal investment process.

Responsibility issues are discussed with the investees also outside actual engagement processes. Human rights issues, such as working conditions in a company's supply chains, are regularly addressed in discussions with investees.

We are a member of the Investor Alliance for Human Rights (IAHR). IAHR's current membership is comprised of over 200 institutional investors from 19 countries. IAHR provides information on investors' responsibility for human rights and offers the opportunity to engage with a broad base of companies and decision-makers to foster human rights. We provide more information on our engagement work in

our investee companies in the section [“We are an active owner”](#).

Human rights impacts of real estate investments and construction

As a major property developer and real estate investor, we do our part in taking human rights into account in our real estate investments. Business activities involve human rights risks in Finland too. We pay special attention to employees' rights in our obligations to combat the grey economy.

We also consider accessibility and adaptability. Designing accessible and adaptable homes and offices makes the daily use of buildings easier for all users. Since 2016, we have also analysed the accessibility of our office premises together with the Accessibility Centre ESKE.

We do our part in combating the grey economy in the construction sector in close collaboration with authorities. Our guidelines for combating the grey economy are applied in all of our new construction projects and renovation and refurbishment projects.

For example, we require our contractors to join the Reliable Partner programme. Furthermore, the main contractor must have procedures to ensure that the goods and service supply chain – including possible subcontractors and raw material purchases – complies with laws, collective agreements, international human rights and minimum labour standards. We do not allow the assigning or chaining of contracts, save in exceptional cases based on discretion and subject to written approval.

We require equal treatment of employees. We require that foreign employees hired in Finland have pay and working conditions that are not below the general conditions that exist in the labour market in Finland. Employment must be voluntary, and employees must not be required to pay a deposit, placement fees or other securities in exchange for an employment contract. Employees must also have the freedom to leave the workplace after their work shift has ended.

If requested to do so, the main contractor must be able to prove that our requirements have been met and the workers' rights have

been respected. One of Ilmarinen's practices is to reserve the right to have a third party carry out an audit or to contact the employees of the main contractor and its subcontractor without prior notification to ensure that the main contractor and the subcontractors comply with the requirements concerning their employees' rights.

In 2022, we became aware of irregularities related to remuneration that had occurred in 2021 at one of our renovation worksites. The cases concerned a subcontractor used by the main contractor. We take all issues related to human rights, working conditions and remunerations very seriously. Once the issue came to our attention, we started investigating it and terminated the contracts with the subcontractor in question with immediate effect, although this required hiring another contractor for the worksite. An external consultant completed the investigation in December 2022. Based on the investigation, the site's main contractor took the necessary measures together with the subcontractor.

Additional information on the way we work can be found in our

[Guidelines for combating the grey economy \(ilmarinen.fi\)](https://ilmarinen.fi).

Equal service is the foundation of our customer work

We have a wide range of different customers – serving them equally is the foundation of our customer work. Our stakeholder survey revealed that our stakeholders consider equal customer service to be the most important aspect of Ilmarinen's activities related to people, human rights and society. It was rated 4.59 on a scale of 1–5.

In the same survey, we received the best score for our performance in our basic task (8.7 on a scale of 4–10). Based on this, it is safe to say that equal customer service is on a good level.

We have the 'Equal service for all' label of the Finnish Association of People with Physical Disabilities. It speaks to our desire to provide equal service to all our customers. The label is also a recognition of our desire to further improve, for example, the accessibility of the residential and office properties developed by us. Since 2016, we have analysed the accessibility of our office premises together with the

Accessibility Centre ESKE.

In 2022, we improved our service by introducing pension services in sign language.

We are covered by the accessibility directive, which means that our online service has been developed with accessibility and usability in mind. In 2023, we will particularly focus on clear language.

Pension service in sign language

Responsibility means practical measures to ensure that everyone has access to pension insurance services. Our pension insurance services are available to sign language customers in sign language, because we want to offer people with a hearing impairment an easy way to take care of earnings-related pension matters.

When a person cannot use one of their senses, it is not always possible for them to use the channel they prefer. Sign language is the mother tongue of many deaf and hearing-impaired people. They are not always comfortable writing or using chat. A deaf person must book an interpreter beforehand, which takes time and complicates things.

A person using sign language who has activated the Chabla app can make and receive phone calls on their smartphone via an interpreter as fast and conveniently as hearing persons.

As the user of the service, the deaf person makes the selections themselves, and the interpreter relays them. During the call, the interpreter translates sign language into speech and speech back into sign language.

Key pension matters and TyEL and YEL insurance matters are also available in plain language on our website. Smooth service helps make daily life easy and understandable for our customers.

We raise awareness of pension security

When our careers are over, we all become pensioners. Many cannot wait to retire, while some want to defer retirement as long as possible. Luckily, there are several options available, and it is possible for everyone to prepare for retirement. We are here to help you figure it out.

It is worthwhile to sort out your pension in good time

When you retire, your income usually drops. You should prepare well before then. Find out how much pension money you will have. The easiest way to do that is by logging in to our MyPension service. The service also has a calculator that helps you estimate the amount of your future pension with different wages or entrepreneurial income.

The basic rule in the Finnish earnings-related pension system is that all earnings accrue pension. In addition, a degree completed in or after 2005, some social benefits, and childcare leave for children under three accrue pension. The accrual rules have changed over the years.

It is a good idea to also learn about other pension types in addition to old-age pension: partial early old-age pension, years-of-service pension, partial disability pension and disability pension.

Partial early old-age pension means that you can draw part of your pension while you are still working. It helps you continue working for longer: you can work less and compensate for the lower wage income with the partial early old-age pension. However, it will reduce your final pension for the rest of your life. It is also a good idea to estimate how it will impact taxation. If you decide to withdraw partial early old-age pension and work less, you must



If you wish, you are free to work as much as you want while on old-age pension. Employment or entrepreneurial activity does not affect the amount of the current pension, and the earnings-related pension is always paid into your account on the first weekday of each month, just like before. As a matter of fact, working while on pension accrues more pension. You can draw this new pension when you have reached your upper old-age retirement age.

Senior Vice President, Pension Services **Outi Pekkarinen**

Number of pensioners

	2022	2021
Old-age pensions	343,828	343,710
Partial early old-age pensions	13,027	8,220
Part-time pensions	3	10
Disability pensions	33,269	34,860
Survivors' pensions	68,356	68,951
Years-of-service pensions	29	24
Total number of pensioners	458,512	455,775

agree on that with your employer. The popularity of the partial early old-age pension surged in late 2022 when the record-high index increment for 2023 was announced. The number of old-age pensions also grew towards the end of the year.

The years-of-service pension is intended for employees aged 63 and over, who have done tough and strenuous work for a long time. A further condition is that the employee's work ability must be impaired due to an injury or illness.

When were you born? It determines your retirement age

Old-age pension is determined based on the year you were born: those born in or before 1954 could retire on old-age pension after turning 63. For those born in 1955 and after, the lower age limit for old-age pension is three months higher for each age group up until the lower age limit is 65 years. The retirement age of those born in or after 1965 is tied to life expectancy.

Your employment relationship must have ended before you can receive old-age pension. The

pension will not be paid into your account automatically; everyone must apply for it themselves. The easiest way to do so is through Ilmarinen's MyPension service. In 2022, we succeeded in further reducing the processing times for pension applications. More than 60 per cent of old-age pension decisions were issued within two days, and the average old-age pension processing time in 2022 was four days.

In 2022, we campaigned actively to promote the use of our online service, and we were successful: the number of visitors in the MyPension service grew, and the service had more than a million visits during the year. Private customers can now choose the electronic service, which is a both environmentally friendly and secure way to manage pension matters. The number of electronic pension applications continued to grow, and around 84 per cent of old-age pension applications arrived through the MyPension service. Customers participated in developing the electronic services and satisfaction with online services increased.

For the first time, pensioners were informed about their pension amount electronically. In

November–December, we sent an electronic message to around 300,000 pensioners when the information on the amount of pension in 2023 was available in the MyPension service. We continued to send the information in a printed letter to pensioners that cannot be reached by an electronic message or who need the information on paper for some other reason.

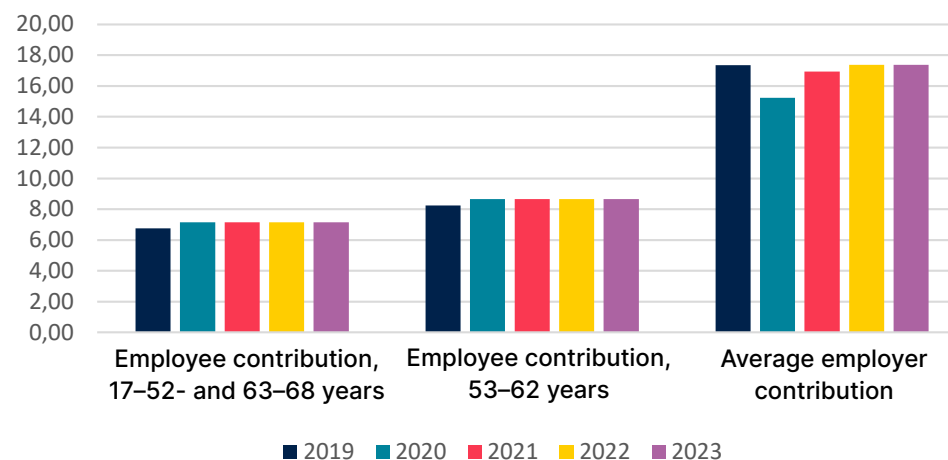
When you submit a pension application in our online service, you can check your up-to-date pension record at the same time.

It shows you how much pension you have accrued. Usually, we first issue a provisional pension decision based on the earnings data contained in the Incomes Register. Once the employer has reported the last earnings data to the Incomes Register, we issue the final pension decision.

Survivors' pension helps if your spouse dies

The death of your spouse is one of the greatest sorrows you may have to endure in your life. If you

Pension contributions (TyEL), % of salary





“I like working”

SOL, a services sector company, has launched a project called “Yellow Panthers” with the objective of making energetic and motivated pensioners and the shortage of labour meet.

Service supervisor **Raila Aho** joined SOL more than 30 years ago as a summer employee. Today, she is a seventy-year-old Yellow Panther.

“I’m not a home person and sometimes it’s nice to go to work and meet other people. Luckily, the younger employees include me in their conversations, although they sometimes call me granny. And of course, being paid a salary means that I don’t have to pinch pennies. Besides, I’m not ashamed to admit that I like working,” Aho says.

She currently works as a service supervisor a few days a week as required.

have lost your spouse you may receive surviving spouse’s pension. Survivors’ pension is also paid to the children. The family’s financial situation often changes suddenly when one of the spouses dies. Income decreases but expenses remain almost unchanged: housing expenses and other bills still have to be paid. The payment of pensions is our basic task, and in the case of survivors’ pensions, fast and smooth processing of the applications is particularly important.

The Survivors’ Pensions Act was revised at the start of 2022. The position of families with children improved and survivors’ pension is also paid to common-law spouses under certain conditions. The surviving spouse’s pension became fixed term: it is paid for ten years or until the youngest child turns 18. The amendments did not apply to current surviving spouse’s pensions. The fixed term applies to surviving spouses born in 1975 or thereafter.

The survivors’ pensions paid to children also changed: children are paid pension until the age of 20, whereas the previous limit was 18. If the deceased does not

have a surviving spouse entitled to survivors’ pension, the surviving spouse’s calculated share is paid to the children. The amendments concerning children’s pension took effect retroactively. For Ilmarinen, that meant that the payment of pensions to 3,138 children was extended and the number of children receiving pension grew by more than 2,150. The amount of survivors’ pension paid to children increased by more than EUR 400 on average.

Following the legislative amendment, common-law spouses are also entitled to survivors’ pension if the spouses have a child under 18 together and the spouses have lived together for at least five years. The number of applications from common-law spouses has been low, and surviving spouse’s pensions were granted to seven common-law spouses.

The amount of survivors’ pension depends on the earnings-related pension that the deceased spouse received or the earnings-related pension that they had accrued by the time of death. The amount also depends on the earnings-related pension paid to the surviving spouse or

on the estimate of their future earnings-related pension, and the number of children entitled to survivors' pension. In other words, if the deceased had a high income, the survivors' pension will also be larger. On the other hand, if the surviving spouse's income is significantly higher than their deceased spouse's, it is possible that no survivors' pension will be paid.

You can estimate the amount of survivors' pension with our [survivors' pension calculator \(ilmari-nen.fi\)](https://ilmari-nen.fi).

The Self-employed Person's Pensions Act (YEL) was amended

Three letters – Y, E and L – were on the lips of entrepreneurs during the latter half of 2022. The reason for this was a legislative amendment.

A self-employed person is responsible for their entire pension contribution. YEL insurance is statutory, which means that it must be taken out when certain conditions are met (age, working in the company, country of residence, continuous nature of entrepreneurship and level of YEL

income). To make starting a business easier, every new entrepreneur gets a 22-per-cent discount on YEL contributions for the first four years. However, social benefits and pension accrue the same way during the discount period as for entrepreneurs who have been active longer.

An entrepreneur's pension contribution is determined based on the value of their work input. It is called YEL income.

Many people think of YEL insurance as an investment, but that is not what it is. YEL insurance is the basis for an entrepreneur's social and pension security. It secures the entrepreneur's income if they lose their work ability or the family provider dies. And it ensures that they have a pension when they retire. The benefits paid by Kela, such as parental allowance and sickness allowance, are also determined based on the confirmed YEL income. The YEL income also determines the level of the entrepreneur's unemployment security and voluntary accident insurance.

Sanna Marin's government presented a bill to Parliament on amending the YEL act in summer 2022. The legislative amendment

entered into force on 1 January 2023.

The goal of the reform is to improve entrepreneurs' security and harmonise how self-employed persons' YEL income is determined in different pension companies. The reform focuses on how a self-employed person's income for pension insurance purposes is determined and how pension companies review it.

Even after the reform, YEL income means the salary that would reasonably have to be paid to a person with comparable professional skills to perform the entrepreneur's work. One of the elements used to determine the YEL income is the median wage of employees in the sector in question. However, YEL income is not determined directly based on the median wage. The self-employed person's opinion is still heard and the YEL income is determined on an individual basis. When confirming the YEL income, the pension company takes also into account other information related to the value of the entrepreneur's work input, such as the amount of work, the professional skills of the entrepreneur and the scope of the entrepreneurial activities.

The biggest change is that pension companies start reviewing self-employed persons' YEL income level regularly every three years. Previously, self-employed persons' YEL income was usually updated when the self-employed person applied for a change to their YEL income and when the pension company adjusted the YEL income with the wage coefficient at the start of each year. In 2023, the wage coefficient will raise the YEL income by 3.79 per cent.

After the review, we submit to the entrepreneur a proposal on a new YEL income level in our online service, if we consider that the YEL income is below the recommended level. The entrepreneur can complement the proposal by providing supplementary information. This ensures that the YEL income matches the development of the entrepreneurial activities and that the entrepreneur's cover is at the right level.

Pension companies must also provide better grounds for their YEL income decisions and the information used. This will make it easier to understand how the YEL income is determined.

It was necessary to amend the

act because the YEL income of an increasing number of self-employed persons did not correspond to the true value of their work input; many entrepreneurs have a YEL income that is lower than that required by the current act. This results in low social and pension security for the entrepreneur and causes them to fall behind other population groups. Due to the legislative amendment, we communicated about YEL a lot in 2022, both ourselves and together with others in the sector.

The pension company will not benefit financially from the increase in the level of YEL income or from higher YEL contributions, because the YEL contributions it collects are used to pay the pensions of self-employed persons who have retired.

The long-term downward trend in YEL insurance seems to be stabilising. The average YEL income of entrepreneurs insured with Ilmarinen in the last quarter remained unchanged, at EUR 23,250 per year.

In 2022, entrepreneurs increased and reduced their YEL income to varying extents. Late in the year, entrepreneurs increased

their YEL incomes more than they reduced them, in terms of both the number of YEL incomes and euros. New entrepreneurs' YEL incomes were 12 per cent higher at the end of the year than the previous year.

An entrepreneur is one's own employer and responsible for entire pension contribution. An entrepreneur's pension contribution is roughly at the same level as an employee's contribution, when taking into account the portions paid by both the employee and the employer. An entrepreneur can deduct the pension contributions in your taxation, which is not possible for employees.



There is quite a broad consensus that entrepreneurs' pension and social security will need to undergo reforms, even bigger ones, in the future too. The funding of YEL insurance, among other things, is a much-discussed topic.

Director, Insurance Services, **Minna Hakkarainen**



Senior Deed of the Year in Lahti

The Senior Deed of the Year award went to Lahden Lähimmäispalvelu's 'Kiinni elämässä' activities.

"The city is now home to an open community of elderly people, free for everyone to join however they see fit. The activities within the project have allowed elderly people's voice, needs and culture to be heard, seen and recognised better," says Outi Pekkarinen, Director, Pension Services to explain the decision.

VTKL – the Finnish Association for the Welfare of Older Adults and Ilmarinen annually grant an award of EUR 5,000 to a good deed or project that promotes the well-being of elderly people. The award was handed out for the fifteenth time in 2022. It helps support the development of methods to promote the welfare of the aged and increase appreciation for work with the elderly.

TyEL insurance and customer retention

	2022	2021
Insured under TyEL	611,380	591,197
TyEL policies	61,084	64,436
Customer retention, employers and self-employed persons	96.7%	97.3%

YEL insurance policies

	2022	2021
YEL insurance policies / Self-employed persons who have taken YEL insurance from Ilmarinen	75,240	76,781

Satisfaction with services

	2022	2021
NPS for online services	47	48
NPS for phone services	74	74
NPS for insurance services	43	47
NPS for pension services	56	49

Ilmarinen's pensioners: age and gender in 2022

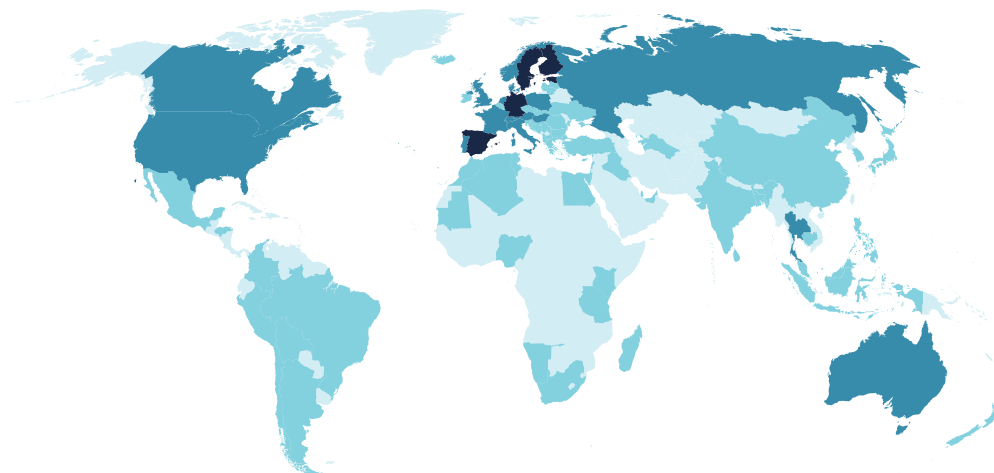
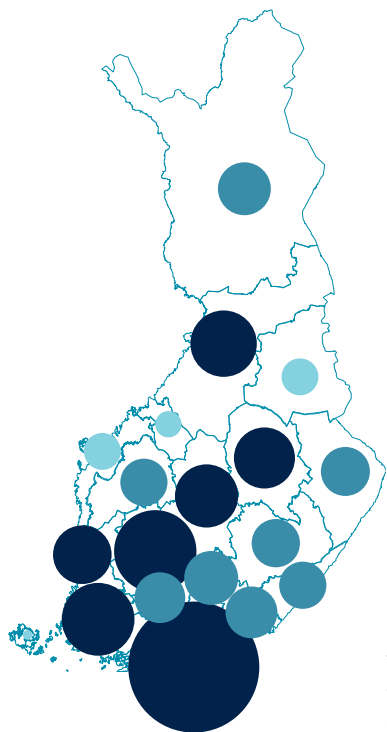
Age	Male	Female
100+	0.0%	0.1%
90-99	1.5%	4.0%
80-89	9.5%	14.0%
70-79	21.2%	18.7%
60-69	15.0%	10.4%
50-59	1.7%	1.4%
40-49	0.6%	0.5%
30-39	0.3%	0.2%
18-29	0.2%	0.2%
Under 18	0.4%	0.3%

Pensions paid, EUR million

	2022	2021
Total	6,606	6,309
TyEL	6,189	5,902
YEL	417	407

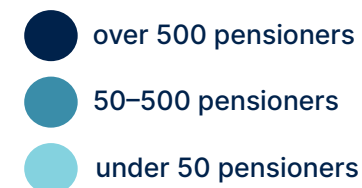
Ilmarinen's pensioners in Finland and other countries in 2022

	%
Helsinki-Uusimaa	25.2%
Pirkanmaa	9.9%
Southwest Finland	7.7%
North Ostrobothnia	6.5%
Central Finland	5.8%
North Savo	5.4%
Satakunta	5.0%
Päijät-Häme	4.2%
Lapland	4.0%
Kymenlaakso	3.8%
Kanta-Häme	3.8%
North Karelia	3.4%
South Savo	3.3%
South Karelia	3.2%
South Ostrobothnia	3.2%
Kainuu	2.1%
Ostrobothnia	1.9%
Central Ostrobothnia	1.0%
Åland	0.1%
No information	0.3%



Karttojen lähde © Karttakeskus

Our pensioners live in 87 different countries and represent 102 different nationalities. After Finland, the highest number of people receiving pension from us, close to 5,200 people, live in Sweden. Then comes Estonia, with around 1,200 pensioners and Spain with around 700 pensioners. After Finns, the most common nationality is Swedes, at some 2,600, followed by Estonians, at around 1,900.



We help extend careers

Employees' pension insurance brings security already before the old-age retirement age. Ilmarinen provides information and tools for anticipating work ability risks and reducing costs due to disability. It is important to continuously take care of work ability.

We help people maintain and improve their work ability

Every year, 10,000 people retire on permanent disability pension in Finland. Another ten thousand people draw a fixed-term disability benefit. Every disability pension granted causes financial and human losses to the person themselves, their loved ones and society.

During the first Covid years, the number of disability pension applications received by Ilmarinen declined but started to rise again in 2022. The company received five per cent more new applications than in the previous year, and the number of persons transitioning on a disability pension or cash rehabilitation benefit increased by four per cent to 3,536. Around 38.4 (37.0) per cent of those who applied for a

disability pension from Ilmarinen received a negative decision.

Continuity is important in assessing work ability risks. The risks may materialise in the near future or in several years' time. A person can lose their work ability in an instant if they fall seriously ill. A workload or lifestyle that puts an individual's health at risk, in turn, reduces a person's ability to function for a long time.

That is why it is important to try to identify how the impairment of work ability can be prevented beforehand. For a pension insurance company, this is a question of managing insurance risks.

Ilmarinen offers the digital Work Ability Hub service package for activities aimed at improving work ability. It brings together strong research data on work ability risks and practices that have proven successful in companies. The Work Ability Hub's themes

Learn more about
[Ilmarinen's Work Ability Hub](https://ilmarinen.fi)
(ilmarinen.fi)



Future lab

In 2021, in our Future Lab project, we identified, developed and shared good work ability management practices together with our customers. The objective was to anticipate work ability risks and survey difficulties and opportunities related to future work and work ability management.

The project involved HR and work ability management specialists from Ilmarinen and customer companies from various sectors. The work continued with a new customer group in 2022, and the group of participants for 2023 was formed early in the year.

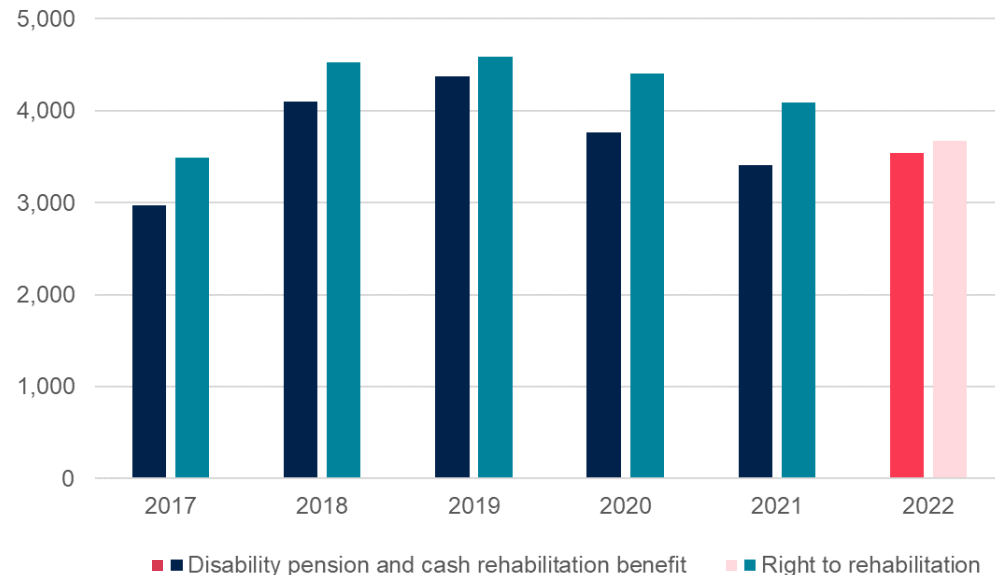
include mental health support, promotion of musculoskeletal health, early support, strategic work ability management and well-functioning occupational health collaboration. We help our client companies to anticipate and manage work ability risks at the workplace. The objective is to prevent the risk that employees insured with Ilmarinen will have to retire on disability pension.

Learn more about Ilmarinen's Work Ability Hub (ilmarinen.fi)

Vocational rehabilitation supports returning to work

Vocational rehabilitation is an employee's and an entrepreneur's right prescribed in earnings-related pension legislation. An employee or entrepreneur can receive rehabilitation if their health and work ability weaken to a point that they cannot continue working in the near future despite treatment and other ways to support returning to work are not

Rehabilitation and persons retired on disability pension



"A new job through vocational rehabilitation"

Due to a wrist injury, **Jukka-Pekka Tervonen** was no longer able to work in his metal industry job which involved working with heavy pieces of metal. His doctor suggested that he try vocational rehabilitation. After having received a positive preliminary decision from Ilmarinen, Tervonen crafted a rehabilitation plan together with his career coach.

His rehabilitation plan involving a course on 3D design, 3D printing, machine automation and robotics was accepted and Tervonen started his studies in an adult education centre. During his training, he received rehabilitation allowance from Ilmarinen.

Today, he still works at the engineering shop but his work is significantly lighter and just one part of a diversified job profile.

enough or possible. The objective is for the employee or entrepreneur to be able to continue in working life or return to work after sick leave. Vocational rehabilitation can be, for example, job coaching, a work trial or retraining. If an employee has applied to us for a disability pension, we will always first look into whether vocational rehabilitation could help.

Effective rehabilitation linked with work extends careers and creates an opportunity for a good working life. Successful rehabilitation has a financial impact: by continuing working, the rehabilitee earns a larger pension for themselves. From the earnings-related pension system's point of view, pension expenditure decreases and premiums written increase. Society benefits from the extension of careers. The rehabilitee's own will is a decisive factor in the rehabilitation process.

Vocational rehabilitation is part of disability risk management. We provide our client companies' HR specialists and supervisors with advice on vocational rehabilitation and offer specialist support.

Objective: a more timely approach to vocational rehabilitation

In early 2022, we continued the experiment launched in October 2021. In a joint pilot with Kela, we charted the vocational rehabilitation services required by customers earlier than before. The pilot was targeted especially at customers whose disability was prolonged due to a musculoskeletal disease or a mental disorder and who had received sickness allowance from Kela for at least 90 days. In addition, the customers' state of health was such that looking into the vocational rehabilitation options was topical for them.

Ilmarinen was in charge of the earnings-related pensions and vocational rehabilitation of the customers who were selected for the pilot. During the experiment, Kela submitted the medical statements of a total of 19 customers to Ilmarinen. The customers had given their consent to have Kela and Ilmarinen exchange data concerning them. We guided a total of 10 people to seek out vocational rehabilitation.

Effectiveness of rehabilitation

	2022	2021
Effectiveness of rehabilitation	79.8	79.2
a) coming from working life	81.4	80.5
b) coming from fixed term pension	73.3	72.7
Usefulness of services and their impact on employees' work ability (customers' assessment 0–5)	4.3	4.1

Percentage of rehabilitees available to the labour market after completing rehabilitation.

Rehabilitation decisions

	2022	2021
Right to rehabilitation application processing time, days	14	19
Number of new rehabilitation decisions	3,676	4,085
Rehabilitation decisions in total during the year	6,784	8,018

Effectiveness of work ability projects

	2022	2021
Perceived customer benefit (scale 1–5)	4.6	4.6
NPS, Ilmarinen's own services	91	91

Projects related to work ability risk management

	2022	2021
Work ability training	39	40
Separate courses and well-being at work projects	1,482	1,441
Employees covered by well-being at work projects	127,661	183,000
Persons participating in work ability training	2,328	2,627

Uninterrupted income

Old-age pension and disability pension processing time in relation to other pension insurance companies	2022	2021
Old-age pensions (difference compared to other employment pension insurance companies), days	0	3
Preliminary rehabilitation decisions, difference compared to other employment pension insurance companies	-2	5
Disability pensions (difference compared to other employment pension insurance companies), days	-8	1
Old-age pension processing time, days (year average)	4	8
Processing time of preliminary rehabilitation decisions, days (average for the year)	14	19
Disability pension application processing time, days (year average)	34	40
Disability pension decisions upheld by the appeals court and difference to competitors	2022	2021
Proportion of negative decisions	38.4%	37.0%
Proportion of decisions amended by the appeals court	10.2%	8.7%
Difference to competitors	1.2%	-2.8%

The pilot showed that it would be beneficial if a pension institution could issue a decision on vocational rehabilitation based on statements obtained from Kela without the customer needing to apply for it. This way, vocational rehabilitation could be initiated sooner in cases where the cus-

tomers are entitled to it.

We will monitor how the rehabilitation has started and is progressing for the customer participating in the pilot and their return to working life until the end of May 2023. The goal is to create a model that can be used by all pension insurance providers in the future.

We promote a responsible and diverse working life

We want to be one of the best workplaces in Finland

Our goal is to be one of the best workplaces in Finland. The well-being of our personnel affects how successful we are in reaching our other goals.

In 2022, we asked more than a hundred new and more than a hundred experienced Ilmarinen employees for their views on Ilmarinen. The observations made by both groups were very similar: Ilmarinen was considered to be a dynamic and competitive company and an excellent employer. Identified areas for improvement included prioritisation and reducing bureaucracy and meetings.

Following the lengthy break due to Covid, we were finally able to celebrate the work anniversaries of employees with longstanding careers at Ilmarinen. The longest careers at Ilmarinen currently span 48 years.

Continuous development of activities

The Covid pandemic is still continuing. As vaccinations were readily available and they prevented the severe form of the disease, we lifted all restrictions related to Covid in May 2022. Thereafter, we have endeavoured to adopt the best aspects of in-office and remote work.

Our goal is to manage our daily work systematically through the Ilmarinen Way model that we built. The objective is to create consistency; we ascertain the right direction, lead the team play, monitor and evaluate results, and improve and learn continuously. The model was reviewed with the entire personnel, as supervisors are not the only leaders.

Ensuring the competence required in the future is one of the key challenges all organisa-



I joined the company when they still used a cardboard clock-in card and information was saved on a punch card. During my career, I have done many kinds of jobs, such as finishing and ordering printed matter, producing graphics for presentations, and working as a service assistant and a pension and insurance advisor.

Service specialist **Arja Pärnänen**

Arja Pärnänen was elected as the employees' representative in Ilmarinen's Executive Group in December 2022.

tions face. We define the critical capabilities needed on the company level during the strategy period. Safeguarding them is a key condition for us to be able to deliver on our strategy. These critical capabilities are related to areas such as customer service, information management and data-driven management, digital business, process know-how,

continuous improvement and sustainability.

Each business and support function ensure that the strategic capabilities are also embedded in their plans. They also see to it that each function has the required expertise for successfully performing the tasks. Based on these, a personal growth story is created for every Ilmarinen em-

ployee, enabling them to build their competence on a path guided by their own wishes and the company's needs. The advancement of the growth story is monitored at least biannually.

In 2022, we launched a new digital competence sharing forum, Osaamistori, for our employees. It allows every Ilmarinen employee to share their expertise with their colleagues in the form of mini coaching sessions. We also renewed our online learning environment to support studying regardless of time and place and to make coaching easy. Leadership was supported through eight events focussed on different themes. Lectures on working life skills were organised for the entire personnel.

If Ilmarinen, for some reason, were to face an organisational change and would not be able to offer employment for everyone, our change negotiations always include negotiations on career coaching options. In past years, this type of career coaching has been offered with good results to persons leaving Ilmarinen due to change negotiations.

We monitor the various aspects of competence development in our personnel surveys.

The ratings for 2022 are at an excellent level. We measure our employees' energy level using the Työvire survey, which is also available to our customers. We conduct the survey every two months. The ratings regarding the claim "I am encouraged to develop in my work" were on an excellent level throughout the year, and in the December survey, the average of the responses was 4.1 (on a scale of 1–5), compared to 3.7 in the reference group (other companies using the Työvire survey). The other claims measuring competence development also indicate a good level: We actively share information and our competence within our work community (4.0) and I use working time for developing my competence weekly (3.9).

It is difficult to find an unambiguous indicator to measure competence development, but a strong focus on competence shows in both excellent customer retention and an excellent NPS.

A company that embraces diversity wins

In 2022, we carried out a survey on the experience of inclusion at Ilmarinen together with an



The most important factor in increasing diversity is the attitude, trust and psychological safety in the work community. When everyone can be themselves at the workplace without the fear of any consequences, diversity is proven to increase and it becomes natural to include everyone.

EVP, People and Culture Sami Ärilä

external party. The survey was part of creating a situation overview of diversity, non-discrimination and inclusion. According to the results, the general tone and overall picture are good and positive, but there is still work to be done in the field of non-discrimination and developing an inclusive workplace. Diversity, non-discrimination and inclusion must be managed in a systematic and goal-oriented manner and time and space must be given for dialogue. The non-discrimination group of the sustainability network participates in development planning and promotes equality and equal opportunity in our work community. The areas of improvement that arise are addressed in the equality and non-discrimination plan.

In June 2022, we drew negative media attention when a former employee claimed to have experienced discrimination at Ilmarinen. The matter was investigated thoroughly: there was no evidence to support the alleged discrimination. We do not tolerate discrimination; we take equality and non-discrimination very seriously. We monitor their implementation regularly through, for example, electronic surveys.

Although the majority feel that equality and non-discrimination are well taken care of in our work community, there is always room for improvement. We see diversity as a strength and we continuously work to increase it in our work community. Additional training was also arranged for the entire personnel on the topic.

The employee experience was monitored through the Työviire surveys. The cumulative employee Net Promoter Score (eNPS) was 42. The eNPS was at its highest in the August survey, at 48. The highest score in our measurement history, 51, is from October 2021. The eNPS can range from -100 to 100. In 2021, the average of all measurements was 38, which means that the eNPS rose during 2022.

Gender equality

In our October survey, we asked our employees about their experience of equal treatment: All employees are treated equally regardless of age, race, gender, physical characteristics, etc.

Women's average pay in relation to men's pay, Executive Group (excluding the President and CEO)

	2022	2021
	83%	86%

Women's average pay in relation to men's pay, all other employees

	2022	2021
	82%	83%

The claim was rated 4.4 out of 5. Before that, we had conducted a more comprehensive and extensive equality and non-discrimination survey in autumn 2021.

There are several indicators for measuring pay equality between genders. At Ilmarinen, the gender pay gap between genders primarily comes from the uneven gender distribution in the different functions. Salaries in male-dominated IT, sales and investment activities, for example, are generally higher than in many other functions. The gender imbalance in various sectors is a social issue that needs to be addressed at the level of both individual companies and society as a whole.

One way to measure the implementation of equality is to look



The children from childcare centre had lunch with President and CEO Jouko Pölonen.



Help with childcare in summer

We organised a childcare centre for our employees, which offered temporary assistance in June to help personnel combine their work and family life. The service was intended for 1st–3rd graders, as finding childcare for them may prove difficult.

The children also look forward to the experience. Many know each other from previous years and the instructors are also old acquaintances.



Responsible summer jobs for dozens of summer employees

We have long been part of the Responsible Summer Job campaign. The campaign challenges employers to offer more high-quality summer jobs to young people. Last summer, Ilmarinen had some 35 summer employees. Work experience during studies and accumulating competence are major factors when finding work later on. At Ilmarinen, summer employees are also given the chance to perform meaningful and responsible work that has long-term impacts. We launched a new web page for summer job seekers.

at how the gender distribution of executives and supervisors matches the gender distribution of the entire personnel. At Ilmarinen, this equality is implemented quite well. Women hold a slightly higher proportion of these demanding positions than men.

We examine the equality of pay between genders also within the different demand categories. Demand categories provide a general framework for comparing jobs. Pay within the same demand category can vary based on, for example, education and training,

performance and work experience. The pay comparison within demand categories revealed that women's pay in relation to men's pay ranged from 87 per cent to 107 per cent. The average was 99 percentage points and the median was 98 percentage points. The examination does not include the President and CEO, the Executive Group, the personnel covered by sales commissions, part-time specialist physicians and demand categories where one of the genders is represented by fewer than 6 persons.

In our equality and non-discrimination plan, we have outlined that if the pay gap within a demand category is at least 5 per cent either way, the HR department will conduct a separate study on the reasons for the differences. If we find inexplicable differences, the HR department will initiate discussions with the relevant supervisors to further investigate and resolve the situation.

Occupational health and safety

In Finland, arranging occupational health and safety is based on law. We want to take good care of our entire personnel. We manage occupational health and safety in active collaboration with the occupational health services. The occupational health services participate in the activities of the OHS Committee, as required. The occupational health services for temporary agency workers are arranged by the actual employer.

Work at Ilmarinen is mainly specialist work carried out in the office, which means that there are typically no physical hazards. We monitor the entire personnel's

experience of the safety of their work environment through the Työviire survey. In 2022, the employees rated their work environment 4.7 on a scale of 1–5.

We provide occupational health services together with a large occupational health partner. The partnership is regularly put out to competitive tendering to ensure high quality. Through the occupational health services, we offer our personnel extensive preventive services and services related to the treatment of illnesses. We actively monitor personnel's work ability situation and, when required, adjust the occupational health service offering to support employees' work ability as early as possible and with a maximum impact. We piloted low-threshold mental well-being services in 2022 and introduced them permanently in early 2023.

The OHS Committee, made up of representatives of the personnel and the employer, meets 6–7 times a year. The OHS Committee promotes interaction between the employer and the employees, makes it possible for employees to participate in matters related to the safety and healthiness of

the workplace, monitors matters related to employees' health and safety and suggests improvements if required. The OHS Committee also reviews the occupational health service action plan and monitors its implementation.

Safety matters are included in the introduction package for new employees, and personnel's first aid capabilities are maintained through regular training. The OHS Committee's new members complete OHS training, if necessary.

When joining Ilmarinen, new employees have a health examination, which is repeated regularly. We also support our employees' physical fitness by providing versatile sports facilities and guided exercise classes and organising various campaigns that encourage an active lifestyle. Ilmarinen also has an activation coach who inspires Ilmarinen employees to be physically active. Ilmarinen also collaborates with occupational health services to organise various projects to encourage Ilmarinen employees to exercise.

In our obligations to combat the grey economy, we require the project management contractor to ask the subcontractors to provide an account of how they

have arranged statutory occupational health services, statutory accident insurance and liability insurance required by the client. The obligations also require that employees must be offered a safe work environment. We aim to extend this obligation to also cover service providers and suppliers when we introduce new sustainability requirements for suppliers in 2023.

In 2022, Ilmarinen employees had one occupational accident during working hours.

A feel-good workplace

In December 2022, Ilmarinen was awarded the 'A feel-good workplace' label (Hyvän mielen työpaikka®) as a recognition for its commitment to strengthening its employees' mental health. The label is granted by MIELI Mental Health Finland on application. The label shows that the company wishes to become more mind-friendly. Its aim is to find more ways to reinforce practices and structures that support mental health and to remedy issues.

In 2023, we will highlight the theme of mental well-being in various channels and by organising open expert lectures. We

want every Ilmarinen employee to be able to lead themselves, proactively manage their own situation and evaluate their recovery. In addition, we work on building

a culture that supports boldly addressing situations. It makes it possible to explore solutions together as early as possible.



We improved our work ability and protected the environment through a cycling competition

Kilometrikisa is a fun competition organised by the Network of Finnish Cycling Municipalities. Our team of 99 cyclists pedalled more than 61,300 kilometers. By cycling, we saved around 4,300 litres of fuel and more than 10,700 kilograms of carbon dioxide emissions. We continued pedalling in 2023 in the winter edition of the cycling competition.

We have participated in both Kilometrikisa and the Finnish Red Cross's Chain Reaction fundraising campaign since 2013. Under Chain Reaction, one euro is donated for every 25 kilometres pedalled by personnel to preparing for and adapting to climate change impacts in Finland and across the globe. This time, the donations will go to East Africa, which is suffering from a particularly severe drought. Ilmarinen's donation is about EUR 2,900.

Key figures related to personnel

	2022	2021
Average retirement age	65.0	64.1
Employees average age	47.0	46.7
Average career length in Ilmarinen, years	13.3	13.2
Ilmarinen's employees' health	43.4	67%

New employee hires and employee turnover

	2022	2021
Number of employment relationships at the end of the reporting period	626	640
New employment relationships	65	85
Ended employment relationships	73	72
Turnover of permanent employees, %	8.8	8.6
New employment relationships/permanent	42	53
Ended employment relationships/permanent	52	51
Number of summer employees	35	38

The temporary labour force in Ilmarinen is currently used in telephone sales (4 people) to supplement their own staff and, as needed, in the staff of Ilmarinen representative space when organising events (a few persons, as needed).

Personnel covered by collective bargaining agreements

	2022	2021
Personnel covered by collective bargaining agreements, %	92%	92%
Personnel covered by collective bargaining agreements, pcs	577	590

Employee experience

	2022	2021
Employee experience: Ilmarinen's eNPS	42	38
Work energy ('Työvire') (0-5)	4.2	4.2

Average training hours per year per person

	2022	2021
Average training hours, entire personnel	25	19
Average training hours, women	27	18
Average training hours, men	21	21
Average training hours, Executive Group	31	22
Average training hours, middle management	46	23
Average training hours, group supervisors	37	32
Average training hours, salaried employees and specialists	22	18

The figures are based on coaching entered into our HR system. The figures lack, for example, learning at work and others, as well as short free virtual coaching.

Parental leave

	On parental leave in 2022	Returned to work during 2022
Sex		
Man	20	19
Woman	12	2
Total	32	21

Number of Ilmarinen employees by employment type, employment contract and gender

	2022	2022%	2021	2021%
Permanent employment contracts, total	588	94%	596	93%
Permanent employment contracts, women	357	61%	365	61%
Permanent employment contracts, men	231	39%	231	39%
Permanent full-time employment contracts, total	546	93%	552	93%
Permanent full-time employment contracts, women	330	60%	336	61%
Permanent full-time employment contracts, men	216	40%	216	39%
Permanent part-time employment contracts, total	42	7%	44	7%
Permanent part-time employment contracts, women	27	64%	29	66%
Permanent part-time employment contracts, men	15	36%	15	34%
Fixed-term employment contracts, total	38	6%	44	7%
Fixed-term employment contracts, women	24	63%	24	55%
Fixed-term employment contracts, men	14	37%	20	45%

Percentage of staff involved in regular performance assessments and development discussions

Gender distribution	2022	2022%
Entire personnel	626	
Participation in development discussions, women	293	47%
Participation in development discussions, men	182	29%
Participation in development discussions, salaried employees and specialists	430	
Participation in development discussions, salaried employees and specialists, women	262	42%
Participation in development discussions, salaried employees and specialists, men	168	27%
Participation in development discussions, group supervisors	20	
Participation in development discussions, group supervisors, women	13	2%
Participation in development discussions, group supervisors, men	7	1%
Participation in development discussions, middle management	24	
Participation in development discussions, middle management, women	17	3%
Participation in development discussions, middle management, men	7	1%
Participation in development discussions, Executive Group,	1	
Participation in development discussions, Executive Group, women	1	0%
Participation in development discussions, Executive Group, men	0	0%

Percentage of staff involved in regular performance assessments and development discussions

Age distribution	2022 pcs	2022%
Participation in development discussions, share of people under 30 years of age	21	3%
Participation in development discussions, share of people aged 30 - 50 years of age	225	36%
Participation in development discussions, share of people over 50 years of age	229	37%

76% of all personnel (employee on 31.12.2022, 626 people) had a result, goal and development discussion in 2022. Development discussions are generally held at the beginning of the year, so after the discussion round, no discussions have been held with those who started in the middle of the year in 2022.

Employees and governance bodies by age

	2022	2022%	2021	2021%
Employees				
Under 30	53	8%	55	9%
30-50	299	48%	327	51%
Over 50	274	44%	258	40%
Board of Directors				
Under 30	0	0%	0	0%
30-50	3	25%	4	33%
Over 50	9	75%	8	67%
Supervisory Board				
Under 30	0	0%	0	0%
30-50	6	20%	9	30%
Over 50	24	80%	21	70%

Employees and governance bodies by gender

	2022	2022%	2021	2021%
Entire personel	626		640	
women	381	61%	389	61%
men	245	39%	251	39%
Salaried employees and specialists	554		563	
women	336	61%	339	60%
men	218	39%	224	40%
Group supervisors	23		28	
women	16	70%	21	75%
men	7	30%	7	25%
Middle management	40		39	
women	25	62,5%	24	62%
men	15	37,5%	15	38%
Executive Group	9		10	
women	4	44%	5	50%
men	5	56%	5	50%
Board of Directors	12		12	
women	2	17%	2	17%
men	10	83%	10	83%
Supervisory Board	30		30	
women	13	43%	12	40%
men	17	57%	18	60%

A photograph of a man with short, light-colored hair and a beard, wearing a light blue button-down shirt. He is shown in profile, facing left, and is holding a black microphone to his mouth as if speaking. The background is dark and out of focus, showing other people seated at a conference or meeting. A semi-transparent white banner with dark blue text is overlaid across the middle of the image.

Good governance (G)

We manage our basic task cost-effectively

As one of the leading earnings-related pension companies, Ilmarinen plays a major role in the development and sustainability of pension security and the earnings-related pension system. Our goal is to develop the pension system and its implementation responsibly, with long-term sustainability in mind. Our own governance is reliable and transparent. We emphasise cost-effective operations and value chain management. Following good governance practices is a key requirement for implementing social and environmental responsibility.

Cost effectiveness is one of the key indicators of our operations. The administrative cost component included in the earnings-related pension contribution covers expenses arising from operations, excluding the investment of pension assets, costs related to the management of disability risk and statutory charges. From the perspective of responsibility, it is essential that we manage our basic task cost-effectively.

The amount of loading income received by a pension company depends on two factors: the amount of wages and salaries paid by our customers to their

employees during the year and the expense loading rate, which determines how large a percentage of the payroll constitutes the administrative cost component intended for our operations. Due to the Covid pandemic, the payroll declined in the previous two years, but started to rise again in 2022 when the economy began to recover. A 9.5 per cent reduction was made to the expense loading rate. For an employer, a lower rate means a slightly lower pension contribution than before.

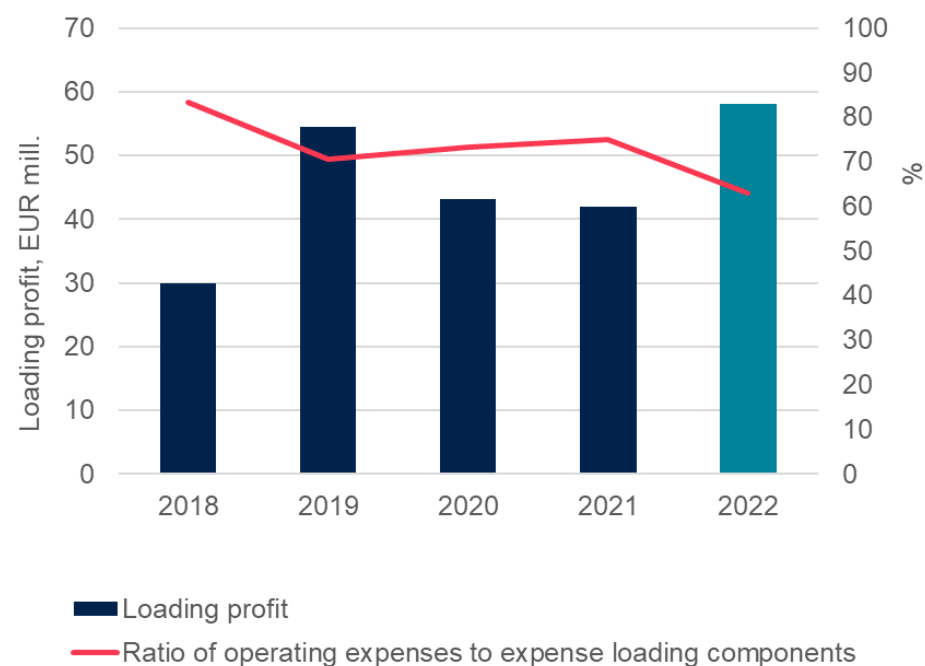
The loading profit is the difference between the loading income and the operating ex-

penses covered by it. The ratio of operating expenses to expense loading components is the proportion of the operating expenses financed using loading

income of the loading income we receive. The smaller the ratio of operating expenses to expense loading components, the more cost-effective we are and the

Cost-effective management of pension cover

Loading profit, ratio of operating expenses to expense loading components and total operating expenses 2018–2022



Cost-effective management of pension cover

	2022	2021
Ratio of operating expenses to expense loading components, %	63	75
Loading profit, € million	58	42
Total operating expenses, € million	151	176
Operating expenses covered by loading income, € million	99	126

larger the part of the administrative cost component we can refund to our employer customers as client bonuses. This way we reduce the pension system costs for employers and do our part in reducing the cost of employment. We have succeeded in systematically improving our operational efficiency: in 2018, the operating expenses covered by expense loading income were EUR 149 million and in 2022, they were already below the hundred-million mark, at EUR 99 million.

As of 2023, the loading expense rate is determined specifically for each company and the aim is to determine it at a lower level than today to avoid generating a surplus. The surplus is thus no longer refunded to customers as client bonuses; instead, customers benefit from

better cost-effectiveness directly through lower contributions.

Taxation of pension assets impacts society

The tax footprint describes the tax revenue accumulated for society by company operations. Our tax footprint consists of the payment of taxes by our operations, insurance and investment activities, and indirectly, our investee companies.

Pension system taxation in Finland follows the same principles as in many other countries: the aim is to avoid multiple taxation of pension savings and thus support the accumulation of pension funds. Multiple taxation creates pressure to increase pension contributions.

The earnings-related pension

Tax footprint of Ilmarinen

	2022	2021
Client bonuses, € million	175	209
Return of investments, € billion	-4.0	8.1
Premiums written, € billion	6.6	5.9
Pensions paid, € billion	6.6	6.3
Number of pensions exceeded premiums, € million	48	387
Employers and entrepreneurs		
Tyel payroll, € million	24,924	22,874
Yel income, € million	1,706	1,677
"Wages and Yel income", € million	26,630	24,552
Tyel premium income, € billion	4,3	3,8
Employees		
TyEL contribution, € billion	1.9	1.7
State and municipalities		
Income tax for employees, € billion	n. 8	n. 7
Taxes related to own activities, € million	25.4	26.5
Income tax on pensioners, € billion	1.6	1.5
Property tax and withholding tax, € million	18.2	18.5
Tax withheld payroll, € million	15.0	15.3
VAT related sourcing, € million	9.7	10.4
Employers social security contributions, € million	0.7	0.7
Real estate tax (Ilmarinen's office building), € million	0.7	0.7
Taxes related to Ilmarinen's own activities, total, € million	26.1	27.1

contributions paid by entrepreneurs, employers and wage-earners can be deducted in income taxation. When an entrepreneur or employee begins to receive pension, they pay income tax on it.

The transfer of investment returns to the solvency buffer is tax-deductible, which means that the annual fluctuations in investment returns have no tax consequences. The calculation principles confirmed by the Ministry of Social Affairs and Health in advance define the earnings-related pension insurance company's profit in the profit and loss account. Its amount is determined by a reasonable return calculated on the guarantee capital or other capital and reserves.

As a mutual company, in other words a company owned by our customers, we do not have any guarantee capital, and thus no profit distribution. The company's capital and reserves belong entirely to the policyholders and insured. Even though the calculated annual return is taxable income for the pension company, no tax payable has arisen. The taxable income has been reduced by the tax buffers accumulated in

the previous years.

We disclose the largest equity and fund investments and their domiciles in the notes to Ilmarinen's financial statements. In accordance with tax agreements, investment returns from abroad are subject to tax withheld at source, 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 line with our Ownership Policy, we wish that the companies we have holdings in report on their tax policy and their tax footprint and present them in the General Meeting.

We have also drawn up a Tax Policy, which is included in our Responsible Investment Policy. This helps us increase the transparency of our investment activities. Our policies take into account that our statutory task is to invest pension assets in a profitable and sustainable manner that enables us to pay out the insureds' pensions well into the future. We thus take the best interests of the insured persons into account also from a tax

standpoint and therefore strive to make our investments, where possible, without being exposed to double taxation which burdens the investment returns and is contrary to the principles of international taxation. Our Tax Policy also outlines our expectations of investment partners regarding compliance with tax legislation. We do not participate in aggressive tax planning or make investments through investment structures the purpose of which is to avoid reporting obligations related to the exchange of information between countries resulting from an investment, or whose purpose is to prevent tax authorities from identifying the beneficial owners of investment returns.

We invest 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, while at the same time being in line with the tax legislation applicable to the investment. This is a requirement of international investors in particular and the prevailing

practice in the sector. The advance assessment of tax consequences is important to us so that we can predict the net return on investment with regard to the beneficiaries, i.e. current and future pensioners. We monitor tax legislation and changes thereto in both Finland and internationally, to ensure compliance.

We, like other pension companies, have investments in countries that, according to some definitions, are considered tax havens. Such investments are practically impossible to avoid if the goal is to diversify the investment portfolio to a sufficient extent both geographically and across asset classes. We disclose all our largest equity and fund investments, including the funds' domiciles, in the notes to the financial statements.

Pension companies' operations are predominantly free of value-added tax. While Ilmarinen also pays VAT on its acquisitions, it cannot deduct these paid taxes from the VAT it charges, unlike parties that engage in taxable operations.

We operate reliably and transparently and keep your data and information safe

Work to protect your pension

Finland has the world's fifth best pension system, according to the Australian consulting firm Mercer's comparison (mercer.com). It evaluates pension systems in place in different countries from the perspectives of adequacy of pensions, sustainability of the system and integrity of the governance. We reclaimed fifth place after having ranked seventh in the previous year.

For the ninth time in a row, Finland received the highest scores for the integrity and transparency of the pension system's governance. Improvement areas were raising minimum pensions, raising the level of household saving, increasing the funded component of pension contributions and introducing arrangements to protect the pension interests of both parties in a divorce.

Our pension system is thus good by international standards. However, the Finnish pension system is different from the systems in place in other EU countries, for example, in that the implementation is decentralised to private companies, such as Ilmarinen. As a large company, we have contributed to Finland's top ranking.

Your information is safe

Hundreds of Ilmarinen employees process our customers' data every day. If you apply for a disability pension or vocational rehabilitation from us, we require information on your health. This information is confidential personal data. When entrepreneurs take out insurance for their employees, we receive confidential information about companies. This information is covered by insurance secrecy.

Every aspect of data processing is about information security. Its basic requirement is to keep data saved, available, usable and safe. In practice, sensitive personal data related to, for example, a disability pension decision must be kept secret from outsiders but available to specific employees so that they can make the pension decision.

In recent years, our particular focus has been on developing digital services, where information security is essential. The development of information security in digital services was a key priority in 2022. Technical solutions must be secure and easy to use for users. It is the only way to keep data safe. That is why we continuously train our personnel to identify and control information security risks.

In 2022, no large-scale data leaks occurred in our operations. We also did not receive any

complaints concerning breaches of customer privacy or loss of customer data from authorities or external parties. On a monthly level, we recorded a few data protection incidents that were mainly due to isolated human errors (a total of 12). We address the most significant data protection incidents and their reasons in the regular meetings of our Risk, Compliance and Sustainability network. We also assess all cases from a development perspective to avoid similar incidents in the future.

Code of Conduct

Managing pensions is part of social security, so doing what is right, compliance with regulations and openness are essential starting points for our operations. Good governance must be constantly maintained and developed.

We draw up an annual Corporate Governance Statement in accordance with the Corporate Governance Code's reporting period. We voluntarily comply with the Corporate Governance Code for Listed Companies as applicable to the operations of an earnings-related pension insurance company. Our [Corporate Governance Statement](#) is available on our website (ilmarinen.fi). It describes in detail the structure of Ilmarinen's corporate governance, the people involved and how and on what grounds they are elected.

Ultimate corporate control in Ilmarinen rests with the Annual General Meeting, where our shareholders exercise their voting rights.

The Supervisory Board, elected by the Annual General Meeting, elects the members of the Board of Directors and the Election Committee and supervises the corporate governance managed by the Board of Directors and President and CEO. At least once a year, the Supervisory Board consults with the auditor about the company's financial position and internal control and other matters arising from the audit.

The Board of Directors, elected by the Supervisory Board, shall head the pension insurance company in a professional manner, according to sound and prudent business principles and sound administrative principles. The Board of Directors' responsibilities thus include the definition and approval of the company's basic operational policies especially in the long term and the monitoring and control of the company's business. The Board of Directors makes decisions on important and far-reaching matters concerning the company and prepares and implements the decisions addressed by the Annual General Meeting and Supervisory Board and monitors that our operations are appropriate. The Board of Directors elects a Chair from among its members. They always come from outside the company, in other words Ilmarinen's President and CEO is not the Chair of the Board of Directors. The Board of Directors has two committees: the Audit and Risk Management Committee and the Nomination and Compensation Committee.

The attendance of the members of the Board of Directors

and the Supervisory Board in meetings in 2022 is stated in the Corporate Governance Statement. The principles and practices of remuneration of Ilmarinen's governing bodies and executive management are available on our website [Palkitseminen ilmarisessa \(ilmarinen.fi, in Finnish\)](#).

Anti-corruption and anti-bribery

Ilmarinen's way of operating in compliance with regulations and in accordance with its values is described in [the Code of Conduct \(ilmarinen.fi\)](#), which is available on our website. Ilmarinen's internal guidelines outline, among other things, that Ilmarinen complies with good insurance practice, does not tolerate bribery, identifies and prevents conflicts of interest, does not abuse insider information, knows its clients and carries out sourcing in a responsible way. The online Code of Conduct training, which provides guidance on good governance, among other things, is part of the introduction training for new employees. Of the employees that joined Ilmarinen in 2022, 89 per cent completed it.

The so-called second defence

line's independent Compliance function, which is administratively part of the Law and Compliance function that operates under the Chief Legal Officer, holds a special role in ensuring the company's legal compliance and good governance. It employs two persons responsible for compliance matters. Compliance reports on its operational activities directly to the Board of Directors, the Board's Audit and Risk Management Committee and the President and CEO. The Board of Directors approves the compliance policy and adopts the annual compliance plan. The annual compliance risk assessment covers all of Ilmarinen's business lines and key support functions. The assessment includes, among other things, compliance with anti-bribery principles. The risk assessment did not reveal any corruption-related misconduct in 2022.

Each of our employees is responsible for complying with regulatory guidelines, regulation and good governance principles. If concerns arise, they must be addressed. Our employees have access to an anonymous whistleblowing channel for reporting

suspected violations of regulations applicable to Ilmarinen and internal guidelines anonymously in accordance with Ilmarinen's internal guidelines concerning suspected misconduct. No reports were made through the channel in 2022. We are planning to open a whistleblowing channel also for those outside the organisation in 2023. Ilmarinen was not subject to any fines or other non-monetary sanctions related to failure to comply with legislation or regulations in 2022.

Last year, the Financial Supervisory Authority completed a multi-year inspection into Ilmarinen's disability risk management and came to the conclusion that there were no grounds for imposing administrative penalties.

Ilmarinen monitors any suspicions of corruption and bribery-related violations in its investments, just as it monitors human rights and other norm violations. Our primary strategy is to engage with companies to change their operations. At the end of 2022, two engagement processes were underway that were linked to anti-corruption measures. The last resort is to exit from ownership in a company.

Related party and insider guidelines

We provide Ilmarinen employees with guidelines on related party transactions and related party matters. More information is available on [our website \(ilmari.fi\)](https://www.ilmari.fi). We deal with any transactions with our related parties in accordance with the internal guidelines approved by Ilmarinen's Board of Directors. We monitor conflict-of-interest situations in decision-making in accordance with our internal principles. The Board of Directors approves the principles for managing conflicts of interest at least once a year.

As an investor, we operate with care also when it comes to insider matters. Insiders are all the persons who have the opportunity to influence decision-making involving the investment of a listed company's assets or who otherwise gain access to information related to investment decisions. Information on the holdings of insiders is available on Euroclear Finland's NetSire service. We ensure that we have a process for dealing with insider matters.

Risk management

Risk management is an essential part of a pension company's operating culture, ways of operating and decision-making. It falls in the area of responsibility of the management and is a natural part of our employees' daily work. Risk management is embedded in all of the company's processes, including strategic planning and change management.

The goal is to identify the risks that threaten our operations, prevent them from materialising, minimise the damage caused by materialised risks and secure the continuity of operations. The most essential goal is to safeguard the company's statutory operations and the rights of the insured, pensioners and policyholders. Another goal is to utilise the opportunities offered by controlled risk-taking in business operations, especially in investment activities, because in investments, risk and return always go hand in hand.

Risk management also contributes to the fulfilment of the company's strategy and targets. It is thus an important component of management and internal

control practices. Risk management is implemented through our management and supervisory system. It is based on our principles that support management and accountability. Risk management covers all of the company's functions, including those that have been outsourced.

Our risk management functions, including monitoring of investment risks and reporting to the Board of Directors, are the responsibility of the Senior Vice President in charge of planning and monitoring the company's operations. Reporting on investment activities and risk monitoring are thus independent from the risk-taking function.

Ilmarinen's Board of Directors reviews and approves our risk management system's operating principles and investment plan annually. The Board of Directors and the executive management draw up the strategic decision-making and risk management policies as part of the annual own risk and solvency assessment. It assesses the impact of the most significant risks on the company and the measures that are necessary to manage these risks.

Our most significant risk is associated with the management of solvency. The single largest risk factor is related to the development of investment returns. The risk level of investment activities is continuously monitored by, for example, monitoring investment restrictions and estimating the development of solvency through stress tests and scenario analyses.

The most important aspects of Ilmarinen's continuity management in 2022 were the risks of cyber and hybrid threats resulting from Russia's war of aggression and the uncertainty related to the supply of electricity in Finland due to the energy crisis caused by the war. These topics were also present in the scenarios of the continuity exercises organised at Ilmarinen during the year.

Our risk management is described in more detail in the notes to the Report on Operations and financial statements.

Stakeholder collaboration

In addition to reporting, openness means listening to and having a dialogue with partners. We regularly meet with representatives of

our stakeholders and develop our operations based on feedback received from stakeholders.

Towards the end of 2022, we conducted an extensive stakeholder survey among our main stakeholders: customers, tenants, investees, non-governmental organisations, Ilmarinen's governance, authorities, representatives of the financial sector, labour market organisations, our own personnel and their related parties, media representatives, universities and research institutions, members of Parliament, and the public at large.

According to the survey, our stakeholders think that we have been successful in managing sustainability: on a scale of 4–10, we received a score of 8.4 for our sustainability work.

We communicate with our stakeholders in various associations and other co-operation organisations. In addition, some of our employees participate in the activities of trade associations closely linked to their work.

Some examples of key memberships in terms of sustainability are the Climate Leadership Coalition (CLC) established in Finland, Finnish Business & Society FIBS,

Finland's Sustainable Investment Forum (Finsif), the Nordic Engagement Cooperation (NEC) and the UN Principles for Responsible Investment (PRI). As a real estate investor, our key memberships include the real estate sector co-operation organisation RAKLI ry, the European Association for Investors in Non-Listed Real Estate Vehicles (INREV) and the Green Building Council Finland, which focuses on the environmental impacts of construction. We are also a member of the Association for Finnish Work.

We are a member of the representative organisation Finance Finland and the Finnish Pension Alliance Tela. Of the insurance sector associations, we are a member of the Actuarial Society of Finland. Individual members are involved in Suomen Vakuutusyhdistys. Our personnel have the opportunity to participate in the activities of the insurance and financial sector's sports club VUFI.

We do not support political parties or the campaigns of election candidates.

We annually donate money for research and purposes of general interest up to a maximum

amount decided by the General Meeting. The President and CEO decides on the donations and we report on them annually to the Board of Directors. In 2022, we made three donations: EUR 20,000 to the SOS Children's village Apuu chat, EUR 5,000 to the Finnish Central Association for Mental Health's Christmas fundraising campaign to support young people's mental health and EUR 2,906.40 to the Finnish Red Cross's Chain Reaction fundraising campaign. Donations are always gratuitous and given to purposes of general interest. Our donations primarily support research or activities that aim to prevent disability and marginalisation, to lengthen careers and to promote youth employment.

More information about our [Sponsorship and donation principles \(ilmarinen.fi\)](https://www.ilmarinen.fi/en/our-sponsorship-and-donation-principles).

We manage value chains

An essential aspect of sustainability and responsibility work is to consider the impacts within the company's value chains. Our goal is to engage our partners to take responsible action. This widens the impact of our sustainability efforts and helps us promote a transition towards more responsible ways of operating.

Responsible sourcing and supply chains

From a sustainability perspective, the management of supply chains is an integral part of value chain management. Our goal is to manage our value and supply chains in a way that engages our partners to take responsible action.

Our own operations' value chain work begins with sourcing. Our goal is to incorporate our Supplier Code of Conduct into our procurement and outsourcing guidelines in 2023. In the Code of Conduct, we define, among other things, our expectations concerning the performance of our suppliers in the areas of environmental responsibility, human rights, social responsibility and good governance.

The development of supply chains also involves assessing human rights impacts. Our goal is

to conduct a human rights analysis concerning our own operations and thus also our supply chains in 2023.

We base our sourcing on the assessment of needs and apply market conditions that are compatible with fair practice. To ensure cost-efficiency, we put our sourcing contracts out to tender as specified in our sourcing guidelines.

We divide our suppliers into real estate expenses and operating expenses. The majority fall under real estate expenses, where almost all suppliers are Finnish.

We actively engage with companies on responsibility

In investment activities, our value chain work involves, for example, engaging with the investment portfolio's investee companies.

One way to be a responsible investor is to be an active owner. Our principles in this area are outlined in our [Ownership Policy \(ilmarinen.fi\)](https://www.ilmarinen.fi/ownership-policy). Active ownership is our perspective on how we take into account issues related to companies' good governance, i.e. the ESG aspects' governance

issues. Our focus is on direct engagement and Finnish ownership as well as Nordic engagement co-operation. We hold discussions on, for example, sustainability issues, with the management of the companies we invest in.

In indirect holdings, fund management companies are respon-

Ilmarinen's sourcing

	2022	2021
Number of suppliers, operating expenses	696	679
Number of suppliers, real estate costs	957	1009
Number of domestic suppliers, operating expenses	590	575
Number of domestic suppliers, real estate costs	951	1,006
Number of foreign suppliers, operating expenses	106	104
Number of foreign suppliers, real estate costs	6	3
Total purchases, operating expenses, EUR million	103	113
Total purchases, real estate costs, EUR million	150	192

sible for active ownership. We regularly ask them about the implementation of active ownership, whether at meetings or in writing. The managers of indirect equity funds also annually report to us on their voting behaviour.

Our Ownership Policy describes, among other things, our expectations of listed companies. We are developing our practices further, and we have specified our internal active ownership policies also for non-listed companies. Non-listed investments are very diverse in their characteristics, and in them, we essentially aim to secure owner rights by way of agreement. We consider it important that the companies openly report on their operations and disclose, in addition to financial information, information about their corporate responsibility and diversity principles, governance and tax footprint. We also outline our expectations concerning the agendas of General Meetings, the composition of the Board of Directors and remuneration systems.

We engage with sustainability at General Meetings

As a rule, we participate in the

General Meetings of all the Finnish listed companies that we have invested in. In 2022, we significantly expanded our activity in foreign General Meetings: previously, we only voted in the General Meetings of our largest foreign holdings, but we started using the voting service of a service provider and voted in the General Meetings of 184 (17) foreign companies. The service provider's voting policy takes sustainability issues into account.

[We report annually on our website \(ilmarinen.fi, in Finnish\)](#) on our participation in the General Meetings of listed companies and the votes cast. If any of the General Meeting's motions are in deviation of our Ownership Policy, our goal is to hold discussions with the companies prior to the General Meeting and engage with them to reconcile the viewpoints.

In 2022, our contacts with companies in General Meeting matters were related to, among other things, remuneration policies, the Board of Directors' composition and remuneration, share issue authorisations and option programmes. In 2022, we contacted companies on 52 occasions.

Our Board of Directors ap-

proves all memberships of Ilmarinen employees in the governing bodies of listed companies. The Board of Directors also approves all other memberships of the President and CEO and the members of the Executive Group in the governing bodies of corporations outside of Ilmarinen. The President and CEO approves all of the work-related memberships of the remaining personnel in the governing bodies of non-listed companies.

We promote responsible personnel selection in Nomination Committees

As an owner, we also participate in the nomination processes of the Board members of many Finnish listed companies. In these processes, we promote the responsible and professional governance and management of the companies. As a member of Nomination Committees, we contribute to ensuring that the composition of the Board takes into account the company's business needs and development stages and the competence areas required by the Board of Directors and its committees, including corporate responsibility. We see

diversity as one of the hallmarks of a well-functioning Board of Directors. In 2022, we participated in 32 Nomination Committees. We publish the Nomination Committee memberships [on our website \(pdf, in Finnish\)](#).

We engage together with other investors

We engage with companies both independently and together with other investors and as part of a larger investor group.

One of the most important co-operations for us is Nordic Engagement Cooperation (NEC), in which we engage with investees together with other Nordic pension companies through a service provider. In 2022, we focused, in line with NEC's new strategy, on human rights issues especially in the mining sector and related value chains and continued engagement related to sustainable water usage. The objective of the engagement co-operation update is to further deepen dialogue and continuous learning. More information on the engagement processes conducted within NEC can be found in [NEC's annual report \(pdf\)](#), which is published annually on our website.

Due to the strategic change, the number of reported individual company-specific engagement processes decreased compared to the previous year, but we engage with companies on a broader scale through a theme and sector approach. At the end of 2022, there were seven on-going engagement processes. Two of these cases were related to respecting human rights. There were three on-going engagement processes related to the environment and two on-going engagement processes related to governance. In 2023, we will develop our engagement strategy further and also specify our reporting practices.

In addition, we engage with many international companies and sectors as part of larger investor groups and initiatives, such as Climate Action 100+, which engages with the world's biggest polluters, and Investor Alliance for Human Rights (IAHR), which enables international human rights engagement especially in high-risk areas and sectors. Our service provider carries out engagement work in many themes, and the engagement processes are backed by a large number of investors. The number

of on-going engagement processes related to norm violation risks in our investment portfolio at the end of the year was 30. Moreover, the service provider carries out proactive engagement work under several themes.

In addition to actual engagement processes, we actively raise any concerns with the companies or discuss our expectations for them regarding sustainability. We also actively participate in the companies' materiality definitions and comment on their sustainability strategies.

In 2022, we actively interacted with the non-listed portfolio's direct investments and external asset managers in issues related to human rights and governance due to cases that had arisen.

In addition to individual investments, it is important to strive to engage on a broader scale especially in environmental matters, as both climate change and biodiversity loss are systemic level changes. We have joined several investor initiatives because there is power in collaboration. Examples of these initiatives are the Principles for Responsible Investment (PRI), the Institutional Investors Group on Climate Change (IIGCC) and the Climate Leader-

ship Coalition (CLC). We prepare a separate report on our responsible investment practices based on the Principles of Responsible Investment (PRI) guidelines.

In the context of the Climate Roadmap for Finnish real estate investments, we have also been actively shaping the development of the whole construction sector. We contribute to developing responsible 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 monitor worksite-specific occupational health and safety indicators (MRV and TR) in property development. We apply

for LEED environmental certification for our Finnish properties in particular.

Reporting policy

Our aim is to make sufficient information on our operations openly available to everyone so that our customers and other stakeholders can assess our operations.

Sustainability is embedded in our strategy and vision created in 2019. The main policies on the practical implementation of sustainability are made by the President and CEO and the Executive Group. In addition to this report, we report on sustainability-related themes in the Report on Oper-



In 2022, we proposed that the calculation method applied in the national energy efficiency agreement should take better into account the energy efficiency potential of exhaust air heat pumps (EAHP) and heat pumps, and collaborated with authorities and industry players to that end. This change in calculation encourages the adoption of the aforementioned technologies.



Ilmarinen as an example of reducing emissions in Finland and globally

In November 2022, a report was published on the progress achieved by the Paris Aligned Asset Owners. The report includes the best concrete actions that the signatories have completed to achieve carbon neutral operations.

Our Climate Roadmap for Finnish real estate was included in the report as an example of measures aimed at real emission reductions in real estate investments. It was also included in Finland's national action programme for a carbon neutral built environment drawn up by Green Building Council Finland.

ations signed by Ilmarinen's Board of Directors.

The overall sustainability reporting is the responsibility of our Sustainability Manager and the Communications Manager in charge of sustainability communications. They compile the report together with our financial monitoring and other experts. The Sustainability Manager is also responsible for preparing updates to our key performance indi-

cators for sustainability for the Executive Group. We call these indicators by their established name Key Performance Indicators or KPIs. They were updated for 2023.

We prepare our Sustainability Report from the standpoint of Ilmarinen Mutual Pension Insurance Company, i.e. our parent company. If the boundary of a key figure differs from the parent company's boundaries, it is men-

tioned in the GRI Content Index in connection with the key figure. In addition to the parent company, Ilmarinen's corporate structure includes, for example, real estate companies linked to real estate investments. More information about Ilmarinen Group is available in the [Report on Operations 2022 \(pdf\)](#).

The key figures for economic responsibility are based on the company's accounting, financial reports and adopted financial statements. They are prepared in accordance with the Accounting Act, the Companies Act, the Insurance Companies Act and the Act on Employment Pension Insurance Companies. The 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 Finnish Financial Supervisory Authority.

The key personnel figures for social responsibility cover the personnel of Ilmarinen's parent

company and they have been calculated based on data from the company's personnel data systems.

We prepare this report in accordance with the GRI Standards of the Global Reporting Initiative (GRI). These guidelines involve the regular assessment of the materiality of different topics. Based on our materiality analysis, we decided to report actual negative and positive impacts and, among potential impacts, the ones that we consider to be very significant.

We publish the return on our investments and our solvency quarterly [in our interim reports and financial statements \(ilmarinen.fi\)](#). These interim reports allow our existing or future customers and other stakeholders to monitor how we have managed pension assets.

In climate reporting, we use international TCFD (Task Force on Climate-Related Financial Disclosures) recommendations and report on the EU Taxonomy as applicable to earnings-related pension companies. We report on biodiversity applying the TNFD framework (Task Force on Nature-related Financial Disclosures).

Carbon footprint calculations were made for 2020, 2021 and 2022, with 2020 being the base year. The calculation was based on the financial approach, where, for example, for investments, the amount of greenhouse gas emissions weighted by the investee's share in the investment portfolio was calculated. In the case of portfolio investments, the calculation included the direct listed stock portfolio as well as the direct corporate bond portfolio. Emissions from energy consumption were calculated using the market-based approach. Ilmarinen switched over to green electricity in all properties in 2022. Emissions from district heating are calculated on an annual basis using an average district heating emission factor. For the category related to the production of fuels and energy transfer losses, the calculation only includes the emissions from the production of fuel for the company's own vehicles and electricity transfer losses. The emissions from the primary production of electricity and district heating and district heating transfer losses are not included in the calculation, due to the unavailability of specific production data. The emissions from

business-related travel are estimated based on expense invoices. For personnel's commutes, the calculation was based on the estimate that three days a week were in-office days. The transport modes used by personnel to commute are estimated based on the Finnish Transport Infrastructure Agency's survey on ways of commuting.

Taxonomy reporting

Based on the Financial Supervisory Authority's KPIs, the definition of real estate business includes direct real estate investments such that direct investments only include directly owned real estate belonging to the Group. The KPIs are calculated based on the consolidated financial statements prepared in accordance with Finnish legislation.

The environmental objectives under the Taxonomy Regulation are: climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; and the protection and restoration of biodiversity and ecosys-

tems. No technical screening criteria have yet been published for the four other environmental objectives.

Calculation formulas

Taxonomy-eligible turnover is calculated as follows: the Group's turnover from real estate business (real estate income minus real estate expenses from the Group's investment net return breakdown) is divided by the Group's turnover (the Group's net return on investment, premiums written and other income).

Taxonomy-aligned turnover is calculated as follows: The total turnover according to the separate consolidated financial statements, recorded for real estate companies belonging to the energy performance class A under the taxonomy and within the top 15 per cent energy efficiency class of the national or regional building stock, is divided by the Group's turnover.

Taxonomy-eligible operational expenditure is calculated as follows: real estate business costs (real estate investment costs from the Group's investment net return breakdown) are divided by operating expenses and

investment expenses (real estate investment and other investment costs from the Group's investment net return breakdown).

Taxonomy-aligned operational expenditure is calculated as follows: The total operational expenditure according to the separate consolidated financial statements, recorded for real estate companies belonging to the energy performance class A under the taxonomy and within the top 15 per cent energy efficiency class of the national or regional building stock, is divided by the Group's operational expenditure.

Taxonomy-eligible capital expenditure is calculated as follows: the Group's real estate business's net capitalisations (acquisitions and realisations) are divided by the Group's total net capitalisations (acquisitions and realisations).

Taxonomy-aligned capital expenditure is calculated as follows: The total capitalisations according to the separate consolidated financial statements, recorded for real estate companies belonging to the energy performance class A under the taxonomy and within the top 15 per cent energy efficiency class of the national or regional building stock, are divided by the Group's capitalisations.

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2022

Economic activities (1)	Codes (2)	Absolute CapEx (3) EurM	Proportion of CapEx (4) %	Substantial contribution criteria							DNSH Criteria (Does not Significantly Harm*)							Taxonomy-aligned proportion of CapEx. Year 2022 (18) Percent	Taxonomy-aligned proportion of CapEx. Year 2021 (19) Percent	Category (enabling activity) (20) E/T	Category (transitional activity) (21)
				Climate Change and mitigation (5) %	Climate Change and adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate Change and mitigation (11) Y/N	Climate Change and adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N					

A TAXONOMY-ELIGIBLE ACTIVITIES

A1 Environmentally sustainable activities Taxonomy aligned)																					
Activity: Real Estate	L68	0	0%																		
CapEx of Environmentally sustainable activities Taxonomy aligned) (A1)	L68	0	0%																		
A2 Taxonomy eligible but not Environmentally sustainable activities (Not Taxonomy aligned activities)																					
Activity: Real Estate	L68	25	69%																		
CapEx of Taxonomy eligible but not Environmentally sustainable activities (Not Taxonomy aligned activities) (A2)	L68	25	69%																		
Total A1 + A2	L68	25	69%																		

B TAXONOMY-NON-ELIGIBLE ACTIVITIES

CapEx of taxonomy-non-eligible activities		11	31%
Total A + B		35	100%

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2022

Economic activities (1)	Codes (2)	Absolute OpEx (3) EurM	Proportion of OpEx (4) %	Substantial contribution criteria							DNSH Criteria (Does not Significantly Harm*)					Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of OpEx. Year 2022 (18) Percent	Taxonomy-aligned proportion of OpEx. Year 2021 (19) Percent	Category (enabling activity) (20) M	Category (transitional activity) (21)
				Climate Change and mitigation (5) %	Climate Change and adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate Change and mitigation (11) Y/N	Climate Change and adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N					

A TAXONOMY-ELIGIBLE ACTIVITIES

A1 Environmentally sustainable activities Taxonomy aligned)																			
Activity: Real Estate	L68	0	0%																
OpEx of Environmentally sustainable activities Taxonomy aligned) (A1)	L68	0	0%																
A2 Taxonomy eligible but not Environmentally sustainable activities (Not Taxonomy aligned activities)																			
Activity: Real Estate	L68	114	2%																
OpEx of Taxonomy eligible but not Environmentally sustainable activities (Not Taxonomy aligned activities) (A2)	L68	114	2%																
Total A1 + A2	L68	114	2%																

B TAXONOMY-NON-ELIGIBLE ACTIVITIES

activities		6,512	98%
Total A + B		6,626	100%

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities- disclosure covering year 2022

Economic activities (1)	Codes (2)	Absolute turnover (3) EurM	Proportion of turnover (4) %	Substantial contribution criteria						DNSH Criteria (Does not Significantly Harm*)						Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of turnover, year 2022 (18) Percent	Taxonomy-aligned proportion of turnover, year 2021 (19) Percent	Category (enabling activity or) (20) E/T	Category (transitional activity) (21)
				Climate Change and mitigation (5) %	Climate Change and adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate Change and mitigation (11) Y/N	Climate Change and adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N					

A TAXONOMY-ELIGIBLE ACTIVITIES

A1 Environmentally sustainable activities Taxonomy aligned)																				
Activity: Real Estate	L68	0	0%																	
Turnover of Environmentally sustainable activities Taxonomy aligned) (A1)	L68	0	0%																	
A2 Taxonomy eligible but not Environmentally sustainable activities (Not Taxonomy aligned activities)																				
Activity: Real Estate	L68	134	2%																	
Turnover of Taxonomy eligible but not Environmentally sustainable activities (Not Taxonomy aligned activities) (A2)	L68	134	2%																	
Total A1 + A2	L68	134	2%																	

B TAXONOMY-NON-ELIGIBLE ACTIVITIES

Turnover of taxonomy-non-eligible activities		5,810	98%
Total A + B		5,943	100%

Priorities of sustainability 2022

Easy and reliable pension provision



- Uninterrupted income
- Customer experience
- Cost-effective management of pension cover
- Disability risk management

We invest sustainably



- We manage our shared pension assets
- Finnish ownership
- Sustainable and responsible investment decisions
- Active owner

Open and transparent



- We secure your information
- Ethical principles
- Open dialogue with stakeholders
- Tax footprint

Meaningful work



- We will succeed together
- Fair and diversified working community

Change in reporting:

The data compiled in the table Effectiveness of work ability projects has changed from the 2021 report. For 2021, data were reported:

- Perceived customer benefit (on a scale of 1 to 5)
- NPS, Ilmarinen's own services
- NPS, sourced services

The reporting of the last, NPS, sourced services information was discontinued in 2022. The reason is that, unlike other data in the table, it was collected as an individual as a one-time survey. Other data in the table are collected by a continuous survey. A single point-to-point survey does not provide an equivalent picture of the development of the full year.



Ilmarinen's GRI index

GRI Standard	Disclosure	Location	Requirement (s) omitted	Omission Reason	Explanation
General disclosures					
GRI 2: General disclosures	2-1 Organizational details	s. 4, 8		Reasons for omission are not permitted.	
	2-2 Entities included in the organization's sustainability reporting	s. 2			
	2-3 Reporting period, frequency, and contact point	s. 2			
	2-4 Restatements of information	s. 2, 78			
	2-5 External assurance	s. 2, 91, 92			
	2-6 Activities, value chain and other business relationships	s. 73			
	2-7 Employees	s. 62			
	2-8 Workers who are not employees	s. 61			
	2-9 Governance structure and composition	s. 64, 65, 70, 71			
	2-10 Nomination and selection of the highest governance body	s. 70			
	2-11 Chair of the highest governance body	s. 71			
	2-12 Role of the highest governance body in overseeing the management of impacts	s. 9, 71			
	2-13 Delegation of responsibility for managing impacts	s. 9			
	2-14 Role of the highest governance body in sustainability reporting	s. 2			
	2-15 Conflicts of interest	s. 72			
	2-16 Communication of critical concerns	s. 71			
	2-17 Collective knowledge of the highest governance body	s. 9			

2-18 Evaluation of the performance of the highest governance body		Information incomplete	Collective knowledge of the highest governance body is not currently assessed.
2-19 Remuneration policies	s. 71		
2-20 Process to determine remuneration	s. 71		
2-21 Annual total compensation ratio		Information incomplete	Remuneration policy is monitored more comprehensively: s. 58-59.
2-22 Statement on sustainable development strategy	s. 7		
2-23 Policy commitments	s. 14, 19, 24, 36, 42, 43	Information incomplete	The commitments of investment activities are defined in Responsible Investment Policy. In terms of own operations will be clarified during 2023.
2-24 Embedding policy commitments	s. 14, 24, 76	Information incomplete	Human Rights Impact Assessment is planned to be prepared during 2023.
2-25 Processes to remediate negative impacts	s. 42	Information incomplete	Human Rights Impact Assessment is planned to be prepared during 2023.
2-26 Mechanisms for seeking advice and raising concerns	s. 71		
2-27 Compliance with laws and regulations	s. 71		
2-28 Membership associations	s. 73		
2-29 Approach to stakeholder engagement	s. 10, 72, 73		
2-30 Collective bargaining agreements	s. 61		

Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	s. 10, 11, 73, 77	Reasons for omission are not permitted.
	3-2 List of material topics	s. 10, 11	
Economic performance			
GRI 3: Material Topics 2021	3-3 Management of material topics	s. 10, 11, 18, 67	
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	s. 5, 68	
	201-2 Financial implications and other risks and opportunities due to climate change	s. 24 - 35	
Anti-corruption			
GRI 3: Material Topics 2021	3-3 Management of material topics	s. 10, 11, 67	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	s. 71	
	205-2 Communication and training about anti-corruption policies and procedures	s. 71	
	205-3 Confirmed incidents of corruption and actions taken	s. 71	
Emissions			
GRI 3: Material Topics 2021	3-3 Management of material topics	s. 10, 11, 67	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	s. 19	
	305-2 Energy indirect (Scope 2) GHG emissions	s. 19	
	305-3 Other indirect (Scope 3) GHG emissions	s. 19	
	305-4 GHG emissions intensity	s. 19	
Employment			
GRI 3: Material Topics 2021	3-3 Management of material topics	s. 10, 11, 42, 56	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	s. 61	

	401-3 Parental leave	s. 61
Occupational Health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	s. 10, 11, 42, 59
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	s. 59
	403-2 Hazard identification, risk assessment, and incident investigation	s. 59
	403-3 Occupational health services	s. 59
	403-4 Worker participation, consultation, and communication on occupational health and safety	s. 59, 60
	403-5 Worker training on occupational health and safety	s. 59, 60
	403-6 Promotion of worker health	s. 59, 60
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	s. 59
	403-8 Workers covered by an occupational health and safety management system	s. 59, 60
	403-9 Work-related injuries	s. 60
Training and education		
GRI 3: Material Topics 2021	3-3 Management of material topics	s. 10, 11, 42, 56
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	s. 31
	404-2 Programs for upgrading employee skills and transition assistance programs	s. 57
	404-3 Percentage of employees receiving regular performance and career development reviews	s. 63
Diversity and equal opportunity		
GRI 3: Material Topics 2021	3-3 Management of material topics	s. 10, 11, 42, 56
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	s. 64, 65
	405-2 Ratio of basic salary and remuneration of women to men	s. 58, 59

Non-discrimination		
GRI 3: Material Topics 2021	3-3 Management of material topics	s. 10, 11, 42, 46
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	s. 57
Public policy		
GRI 3: Material Topics 2021	3-3 Management of material topics	s. 10, 11, 67
GRI 415: Public Policy 2016	415-1 Political contributions	s. 73
Customer privacy		
GRI 3: Material Topics 2021	3-3 Management of material topics	s. 10, 11, 67
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	s. 70

Key Performance Indicators for sustainability

KPI 1/22	Uninterrupted income	Fast pension decisions: processing time of old-age and disability pension applications compared to other employment pension insurance companies.	p. 55
KPI 2/22	Cost-effective management of pension cover	Ratio of operating expenses to expense loading components and loading profit.	p. 5,7
KPI 3/22	We promote work ability	Effectiveness of rehabilitation; return-to-work rate in percentages; customer evaluation of the effectiveness of training; effectiveness of work ability projects.	p. 54
KPI 4/22	We keep your information secure and available	Notifications of personal data security breaches to the Office of the Data Protection Ombudsman.	p. 70
KPI 5/22	We manage pension assets	Return on investments and solvency ratio.	p. 13
KPI 6/22	Footprint of investment operations	High carbon risk control level up to 20% of the activity of investees. Target 10% by 2025; Energy saving measures in properties' energy consumption.	p. 18, 20
KPI 7/22	Active and engaging ownership	Number of engagement processes. Engagement processes that reached the targets during the year.	p. 76
KPI 8/22	We will succeed together	The employee experience: Ilmarinen's eNPS.	p. 57, 61
KPI 9/22	A fair and diverse work community	Equality between genders at work: the average salary of women compared to the average salary of men (HAY). Balanced share of both genders in supervisory and leading specialist positions.	p. 58, 59



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Independent accountant's assurance report

(Translated from the original report in Finnish language)

To the Management of Ilmarinen

Scope

We have been engaged by Keskinäinen Eläkevakuutusyhtiö Ilmarinen (hereafter "Ilmarinen") to perform a 'limited assurance engagement', as defined by International Standards on Assurance Engagements, hereafter referred to as the engagement, to report on sustainability information in Ilmarinen's Annual and Sustainability Report 2022 (the "Subject Matter") for the period 1.1.-31.12.2022.

Criteria applied by Ilmarinen

In preparing the Subject Matter in Annual and Sustainability Report 2022, Ilmarinen applied the Global Reporting Initiative (GRI) Sustainability Reporting Standards and Ilmarinen's own internal reporting principles (the "Criteria"). As a result, the Subject Matter information may not be suitable for another purpose.

Ilmarinen's responsibilities

Ilmarinen's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000'), and the terms of reference for this engagement as agreed with Ilmarinen on 26.10.2022. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

Ernst & Young also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or

performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- a) An update of our knowledge and understanding of Ilmarinen's material sustainability reporting topics, organization and activities,
- b) Interviews with personnel responsible for gathering and consolidation of the corporate responsibility information to understand the systems, processes and controls related to gathering and consolidating the information,
- c) Assessing sustainability data from internal and external sources and checking the data to reporting information on a sample basis to check the accuracy of the data.

We also performed other procedures we considered necessary.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the sustainability information in Ilmarinen's Annual and Sustainability Report 2022 for the period 1.1-31.12.2022, in order for it to be in accordance with the Criteria.

Helsinki, 20.3.2023

Ernst & Young Oy
Authorized Public Accountant Firm

Terhi Mäkinen
Authorized Public Accountant

ILMARINEN

PAREMPAA TYÖELÄMÄÄ

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