

Preparing for a good future

Ilmarinen's Annual and Sustainability report 2023

ILMARINEN

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Annual and Sustainability report 2023

You are reading Ilmarinen’s Annual and Sustainability report 2023.

We report on our responsibility and finances annually; this time the review period is 1 January 2023–31 December 2023. Data for 2022 has been given in brackets.

We prepared this sustainability report in accordance with the GRI standards of the Global Reporting Initiative. At the same time, we are prepared to report in accordance with ESRS standards in the future.

The report covers the parent company Ilmarinen. Data for the entire Ilmarinen Group is available in [the Report on Operations and Financial statements 2023](#) (pdf) published on 15 February 2024.

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. Changes to previous reporting as well as errors in the previous report are explained on page 74.

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 21 March 2024. For further information, please send an email to info@ilmarinen.fi.



Preparing for a good future

We know the pension system – it brings you security

2023 will go down in history for Russia's ongoing war of aggression against Ukraine, continued high inflation and interest rate hikes. Ilmarinen's solvency remained at a good level, premiums written grew and cost-effectiveness improved further. Pensions were subject to a record-high index increment at the beginning of the year. According to the Finnish Centre for Pensions' statistics, the retirement age expectancy rose to 62.8 years, which is six months higher than in 2022. One of the reasons behind this was the historically large index increase (6.8 per cent) applied to pensions at the start of 2023, which encouraged many people to retire in 2022 to benefit from the increase. Raising the age limit for old-age pension also plays a role.

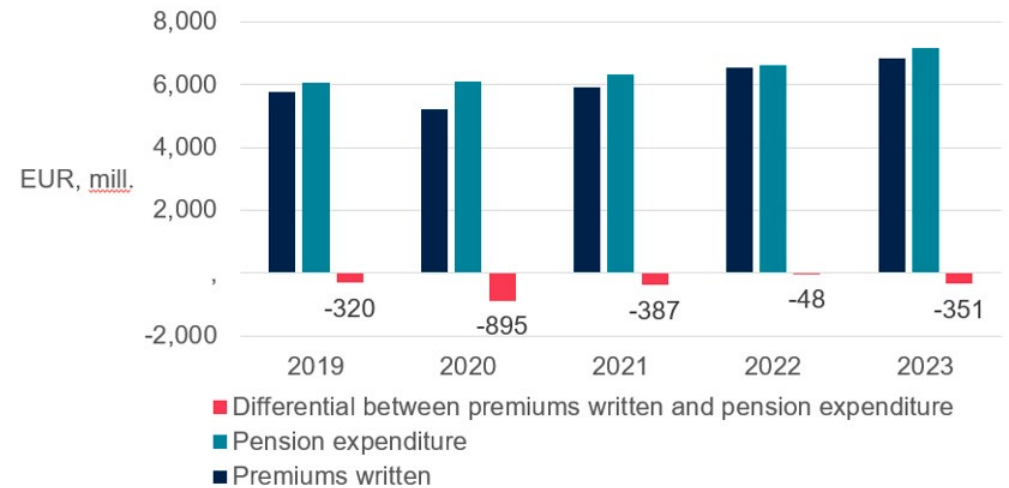
Anyone working in Finland is entitled to statutory earnings-related pension. At Ilmarinen we are part of the Finnish social security system: we provide statu-

tory and mandatory employees' pension insurance (TyEL) and self-employed person's pension insurance (YEL) 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 1.2 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

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.

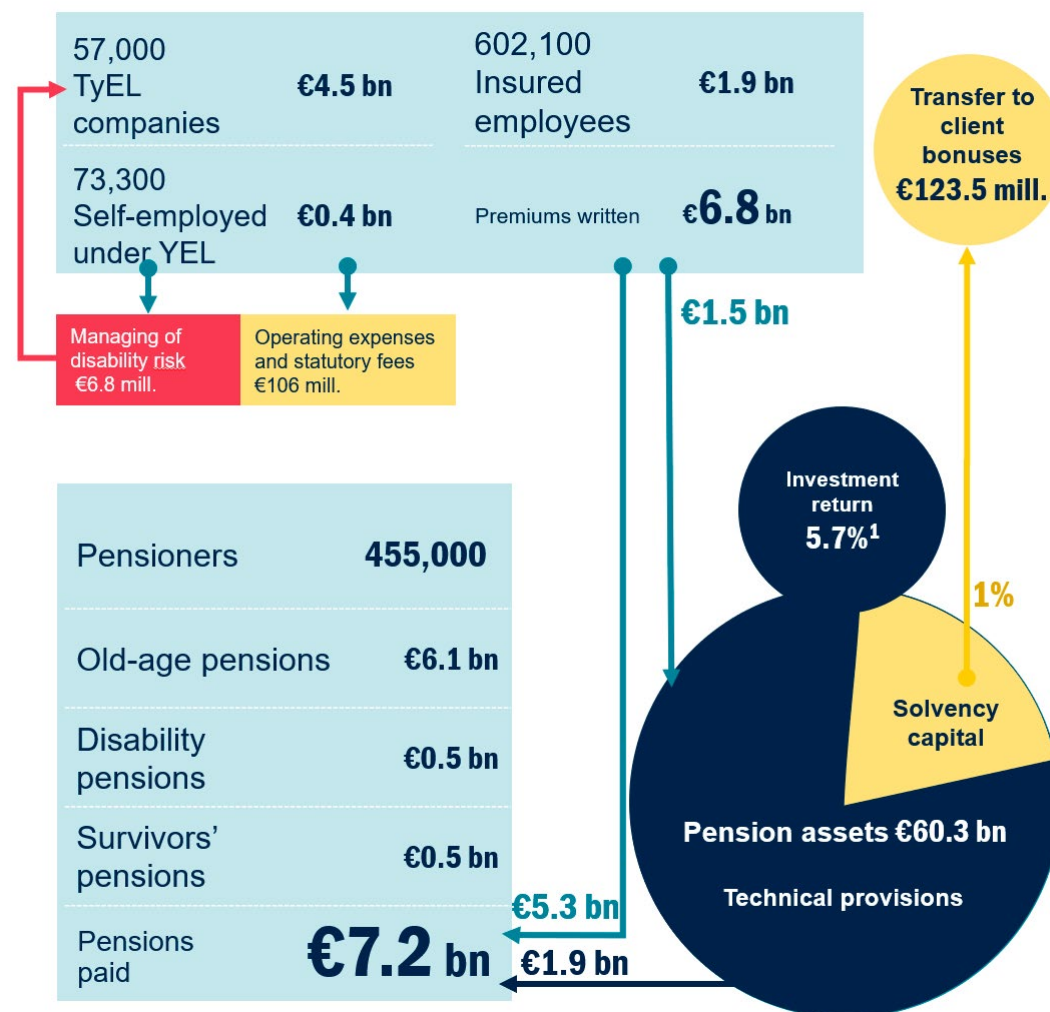
majority of the assets are invested abroad. We invest our shared pension assets of almost EUR 60 billion securely, profitably and responsibly to safeguard the financing of current and future pensions. The investments are

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.

Social income distribution calculation

Social income distribution calculation, EUR million	2023	2022
Income information		
Premiums written	6,822.1	6,558.0
TyEL, employer's contribution	4,472.2	4,301.8
TyEL, employee's contribution	1,945.5	1,862.0
YEL (self-employed persons)	404.4	394.2
Reduction of client bonus transfer carried out in previous year	175.3	209.4
Net investment return excluding operating expenses	3,313.7	-3,966.5
Other income and expenses	0.0	0.0
Total income	10,311.1	2,800.9
Income distribution		
To pensioners	-7,172.7	-6,606.0
TyEL pension recipients	-6,743.7	-6,189.2
YEL pension recipients	-429.0	-416.8
Provision for future pensions	-1,427.3	-4,221.1
Provision for future risks	-1,432.9	8,362.0
Buffering against fluctuations in investment return	-1,432.9	8,362.0
Buffering against fluctuations in underwriting result		0.0
Client bonuses	-123.5	-175.3
Carried forward to next year's client bonuses	-123.5	-175.3
Staff expenses	-61.7	-64.1
Other service providers	-84.0	-86.7
Taxes withheld at source	-9.0	-9.6
Interest on guarantee capital	0.0	0.0
Donations	-0.1	-0.1
Total income distribution	-10,311.1	-2,800.9

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 from 1997 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



Ilmarinen's cost-effectiveness improved further, as premiums written grew 4 per cent to EUR 6.8 billion and operating expenses financed using loading income fell 5 per cent to EUR 94 million. Our customers benefit directly from the improvement in our efficiency: we lowered the administrative cost component included in Ilmarinen's earnings-related pension insurance contribution by 20 per cent as of the start of 2024.

Listed equities and shares and fixed income and credit risk investments performed very well in 2023, and the positive momentum accelerated as the year neared its end. The year was difficult for Finnish equities and shares, and the weak return on the real estate portfolio in particular reduced the otherwise excellent return on investments fair value write-downs of EUR 1.1 billion made especially for the real estate portfolio decreased otherwise excellent return of invest-

ment. Our return on investments was 5.8 per cent, or EUR 3.3 billion. Solvency capital strengthened to EUR 12.2 billion, and the solvency ratio was 125.4 per cent. 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.

Administrative cost component included in the earnings-related pension insurance contribution became company-specific as of the start of 2023, so our customers benefit directly from our cost-effectiveness as lower insurance contributions. Since the merger with Etera at the start of 2018, Ilmarinen's cost-effectiveness has improved significantly, as operating expenses financed using loading income have decreased by EUR 49 million, or 34 per cent, while premiums written have grown by EUR 1.7 billion, or 34 per cent.

An amendment to the Self-Employed Person's Pensions Act entered into force at the start of the year, on the basis of which we checked the YEL income of about 20,000 entrepreneurs. The contribution category model for disability pensions was reformed in January 2024. The aim is to improve access to employment for people over 55 years of age and people who have difficulty finding employment. Pensions were increased by an index increment

of 6.8 per cent as of the start of 2023, and we paid EUR 7.2 billion in pensions. Pensions are raised at the beginning of 2024 with an index increment of 5.7 per cent.

Digital use of pension services increased significantly thanks to active development efforts. As a new service, private customers were offered the possibility to access Ilmarinen's online service via OP's mobile bank to see how much pension they have accrued. The new service helps us reach young customers in particular and encourages them to take an interest in their own pension security.

As key elements of our strategy, sustainability and responsibility are embedded in everything we do. This report describes how we monitor and manage our impacts on the economy, the environment and people. In 2023, we published our new sustainability programme, which focuses on the themes of climate, biodiversity and human rights. It describes our responsible business priorities. The programme is updated annually.

We seek to achieve carbon neutrality in the investment of pension assets in 2035. Our Climate Roadmap covers four asset classes: direct listed equities and shares, corporate bonds, and Finnish and foreign real estate. The Climate

Roadmap for real estate was updated in 2023. We were anchor investors in four ETF index funds focusing on climate, investing a total of EUR 5,167 million in them.

Finns' confidence in the pension system has remained high: according to the Finnish Centre for Pensions' Pension Barometer, two thirds of the respondents trust in the pension system.

The Finnish welfare society and earnings-related pension system are especially challenged by the decline in the working age population and weakening of the age dependency ratio. We need a lot of workforce from abroad. In order to attract people, Finland must be an open society that is safe for all and that will not tolerate discrimination in any shape or form.

The Government is preparing amendments to the earnings-related pension legislation to ensure the financial sustainability of the pension system and to secure the benefit level. Matters concerning earnings-related pension policy will be prepared with key labour market organisations on a tripartite basis by the end of January 2025.

Jouko Pölönen
President and CEO, Ilmarinen

Ilmarinen's sustainable year 2023

January–March

- We joined the TNFD Forum. It is an advisory body that provides expertise in nature risk management.
- Study: The majority of pensioners would like to work while on pension – they assess that their ability to cope has declined.
- Financial statements for 2022 published: Ilmarinen is the most cost-effective pension company in Finland.
- We participated in the Earth Hour arranged by World Wildlife Fund.
- We announced a new sustainability programme with climate, biodiversity and human rights at the top.

April–June

- We launched a pilot to establish whether an increasing number of rehabilitees could benefit from long-term and enhanced support for returning to work.
- We invested in the largest-ever ETF listing in the USA and participated in the development of a new climate index.
- Our childcare centre placed second in Oikotie's Työelämän vastuullisuusteko (Sustainable deed in working life) 2023 competition.
- We joined the PRI Advance initiative, where institutional investors work together on human rights and social issues.
- We monitor the development of personnel numbers in our customer companies through the business cycle index on a monthly basis. In June, for the first time in two years, the number of personnel began to fall compared to the year before.

Q1 Q2
Q3 Q4

July–September

- We joined the global Nature Action 100 initiative, in which investors demand urgent nature actions from companies.
- Renovations were started on Postitalo, in central Helsinki. The renovations focus on recycling.

October–December

- Senior Deed of the Year award to City of Vaasa's Helppari and elderly care assistant activities.
- Survey 'Status of work ability management 2023' for lengthening the careers of customer companies' employees.
- We joined the power system support procedure and the 'Down a degree' campaign.
- EtätET and the student fair reinforced a good employer image.

Sustainability at Ilmarinen

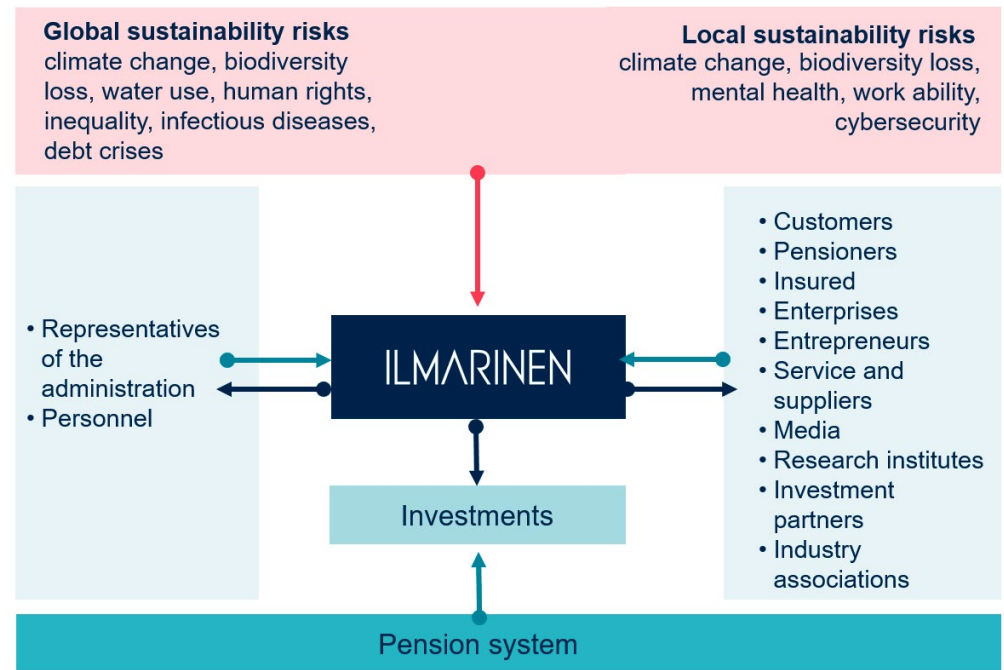
In early 2023, our renewed sustainability programme was updated towards the end of the year. The updated programme was approved by the Board of Directors of Ilmarinen. The programme is based on three pillars: the environment (E), people and society (S) and good governance (G). We influence these, both directly through our own operations and indirectly through investment activities. The sustainability programme is based on a materiality analysis, where we identified our impacts on the environment, people, human rights and society, and good governance. The materiality analysis was updated to reflect the upcoming ESRS standard together with an external service provider.

Ilmarinen's Board of Directors decides on the main responsibility policies. It approves, for example, the sustainability programme and [the Responsible Investment Policy](#) (pdf). The Board of Directors has set as a target for Ilmarinen to achieve carbon neutrality in the investment of pension assets by the end of 2035. The implementation of sustainability

has been 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 on-boarding training for governance members. In 2023, governance members received training on the recently published Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) applicable for reporting as of 2024. The implementation of the responsibility 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 responsibility and sustainability work of their own function.

In the Executive Group, the Executive Vice President, Communications and Corporate Responsibility, is responsible for preparing and coordinating corporate responsibility matters. Ilmarinen's Chief Investment Officer is in charge of responsible investment. The renewal of reporting is led by the Chief Financial Officer. The responsible investment team

Responsibly, for you



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

continuously works on sustainability issues. Its activities are overseen by the Head of Responsible Investment.

The Sustainability Manager develops and coordinates the practical implementation of corporate responsibility at Ilmarinen. 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 corporate responsibility matters into the decision-making and

monitoring of the business lines and functions. It has representatives from all of Ilmarinen's functions. In addition, Ilmarinen has a voluntary responsibility network, which also contributes to responsible and sustainable operations at Ilmarinen.

Sustainability issues are the everyday work of the Ilmarinen employees. Thus, all employees are required to complete annual sustainability training on Code of Conduct, customer knowledge, anti-money laundering, information security, and diversity.

Diversity as a special focus for the responsibility network

2023 was the first full year of activities for Ilmarinen's voluntary responsibility network. The network includes approximately 40 Ilmarinen employees from various parts of the organisation. It is divided into two parts: an environmental network and a diversity network. Some of the network members work in both.


The network put a spotlight on responsibility. The diversity network organised a diversity panel and diversity training. The network also hosted a webinar on accessibility. The environmental network negotiated with the company canteen, encouraging it to better showcase vegetarian food. As a result, the consumption of vegetarian food grew in 2023. The environmental network also participated in preparing a roadmap for Ilmarinen's own operations.



The responsibility network consists of approximately 40 Ilmarinen employees. The photo taken in November shows a few of the members.
Photo: Fanni Toimela








Metrics and targets

Sustainable business indicators for 2023 (KPI)

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.	Supervisors 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
		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
Governance (G)		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

During 2023, we updated our sustainability key indicators for 2024. They were approved by Ilmarinen’s Board of Directors.

Sustainable business indicators for 2024 (KPI)

ESG pillar	SDG	Target	Indicator	Target 2024	Monitoring
Environment (E)	 13	Our goal is to achieve a carbon-neutral investment portfolio by the end of 2035.	Carbon footprint of the investment portfolio	A reduction of at least 7% (calculated as the three-year rolling average)	Ilmarinen's monthly report: KPI for investments
	 13	Our goal is to achieve a carbon-neutral investment portfolio by the end of 2035.	Investments in climate solutions	1.4 times their level in 2020	Ilmarinen's monthly report: Key Performance Indicator for investments
People and society S	 8	We want to be one of the best workplaces in Finland.	Työvire survey claim “My supervisor supports my success at work”	Full-year average for all responses at an excellent level, 4.0 or higher	Ilmarinen's monthly report: Quarterly indicator for HR
	 8	We want to be one of the best workplaces in Finland.	Employee Net Promoter Score (eNPS)	Full-year average +2 from the level in 2023	Ilmarinen's monthly report: Key Performance Indicator for the company
	 8	We want to be one of the best workplaces in Finland.	Työvire survey claim “My health will allow me to work in my current job two years from now”	Excellent level, 4.0 or higher	Ilmarinen's monthly report: Quarterly indicator for HR
Good governance G	 10	We manage our customers' pension security well and equally.	Customer Net Promoter Score (NPS)	+2 from the level in 2023	Ilmarinen's monthly report: Key Performance Indicator for the company
	 16	We manage pensions cost-effectively.	Operating expenses financed using loading income in relation to payroll		Ilmarinen's monthly report: Key Performance Indicator for the company

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).



Investment year 2023: Investment decisions impacted by sustainability issues

In 2023, global economic growth slowed to approximately 3 per cent. This was because core inflation remained higher than the target level and financing conditions tightened.

The US economy grew by 2.5 per cent. Economic growth in the euro zone grew at a much more subdued pace, 0.5 per cent. In Finland, the economy turned into a recession in the second half of 2023, as tighter-than-expected monetary policy was transmitted relatively quickly to the willingness to invest and especially to build.

Our statutory task is to manage pension assets profitably and securely. Therefore, we 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 govern-

ance have been embedded in Ilmarinen's investment decisions since the turn of the millennium. We have clear processes for ensuring sustainability:

Our investment activities are guided by an investment plan, in which we determine the targets for risk-taking and investment allocation, i.e. the distribution of investments across various asset classes. The most important factor defining risk and return is the choice of strategic allocation. To optimise return, we diversify investment risks. The investment plan is approved by Ilmarinen's Board of Directors. The Board of Directors also monitors the implementation of the plan. 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](#) (pdf) published on our



“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.”

Mikko Mursula, Chief Investment Officer

website 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 special characteristics and requirements of each asset class are taken into account. Previously, the Responsible Investment Policy was supplemented by the Responsible Investment Guidelines. In 2023, the Policy and the Guidelines were combined.

It is important to understand the positive impact opportunities of investments

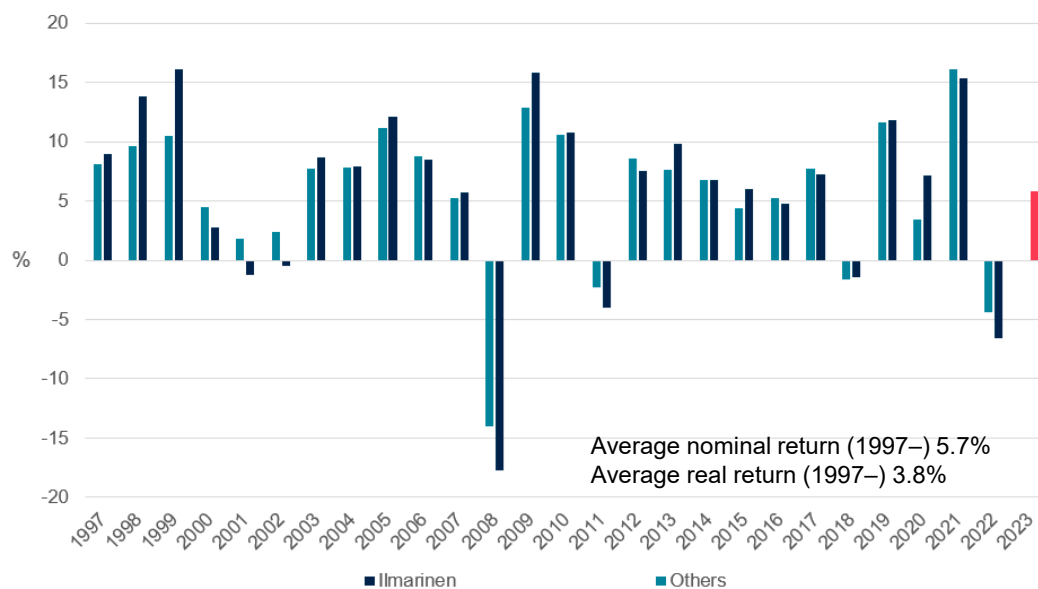
Our investments also have positive impacts on society. It is important to understand them and the opportunities they offer. Return opportunities may open up for investors as companies’ operating environment is changing: progressing climate change, loss of biodiversity and natural

capital, and increasing interest in human rights worldwide. Ambitious emission reduction targets give rise to new business and investment opportunities in, for example, low-carbon technology and solutions related to climate change mitigation and adaptation.

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 2023, we published [a study](#) (pdf) where we looked into the definition of impactfulness, metrics and the most material sustainable development goals that we can strive to achieve through our operations.

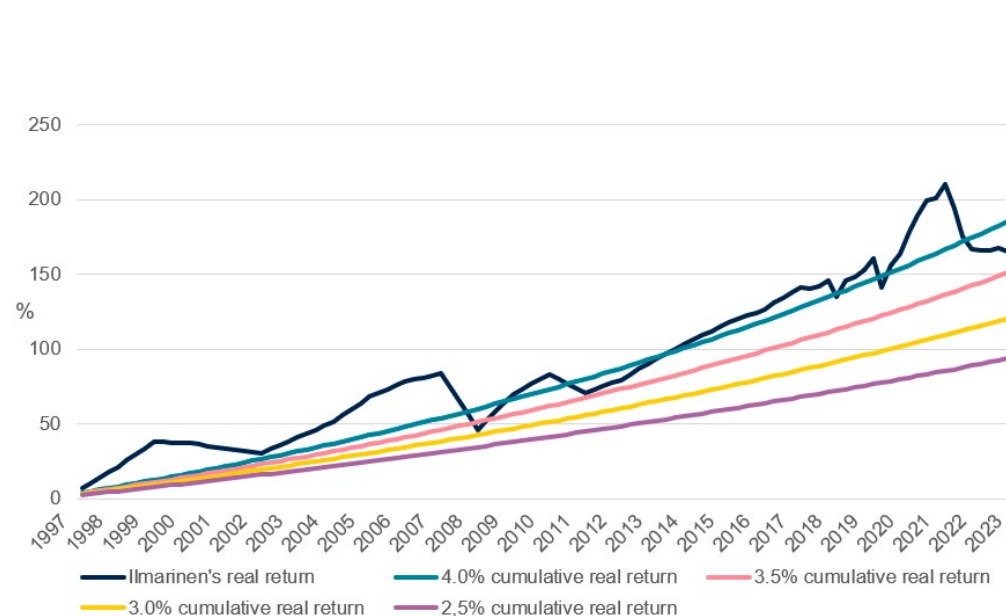
Net return on investments at current value



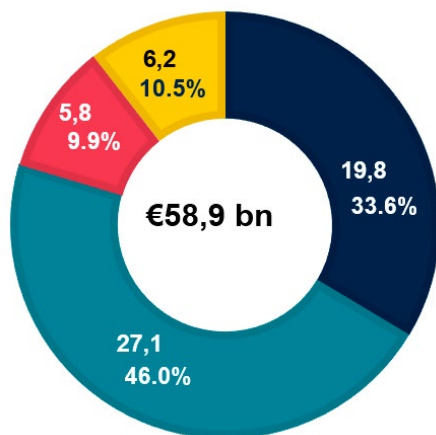
Ilmarinen's investments and solvency

	2023	2022
Pension assets, EUR million	60,307	57,505
Investments at current value, EUR million	58,923	56,264
Net return on investments at current value, EUR million	3,272	-4,009
ROCE, %	5.8	-6.6
Solvency ratio, i.e. the ratio of pension assets to technical provisions, %	125.4	125.8
Solvency capital, EUR million	12,226	11,777

Cumulative net return on investments 1997–2022

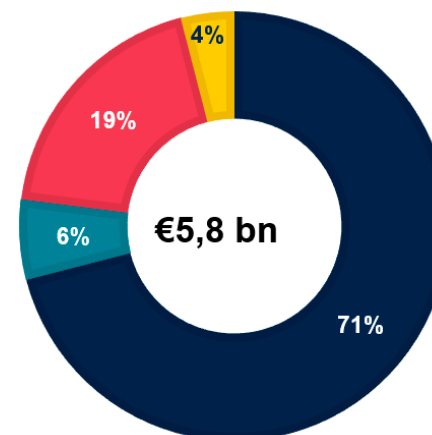


Investment allocation, 31 Dec 2023



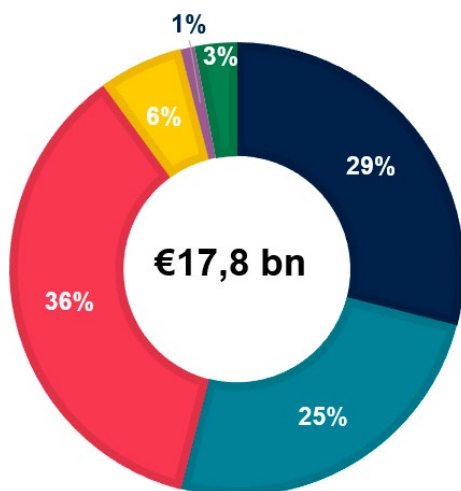
■ Fixed income ■ Equities and shares ■ Real estate investments ■ Other investments

Real estate investments by geographical area



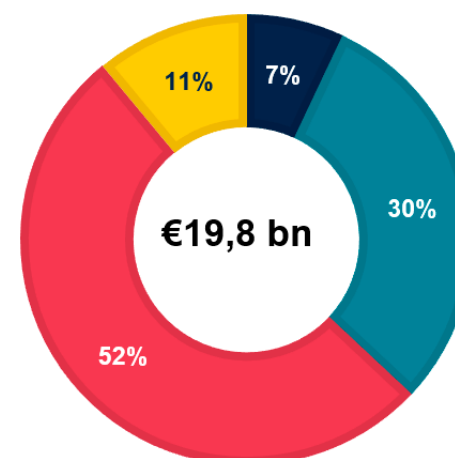
■ Finland ■ USA ■ Europe ■ Other areas

Geographical breakdown of listed equities



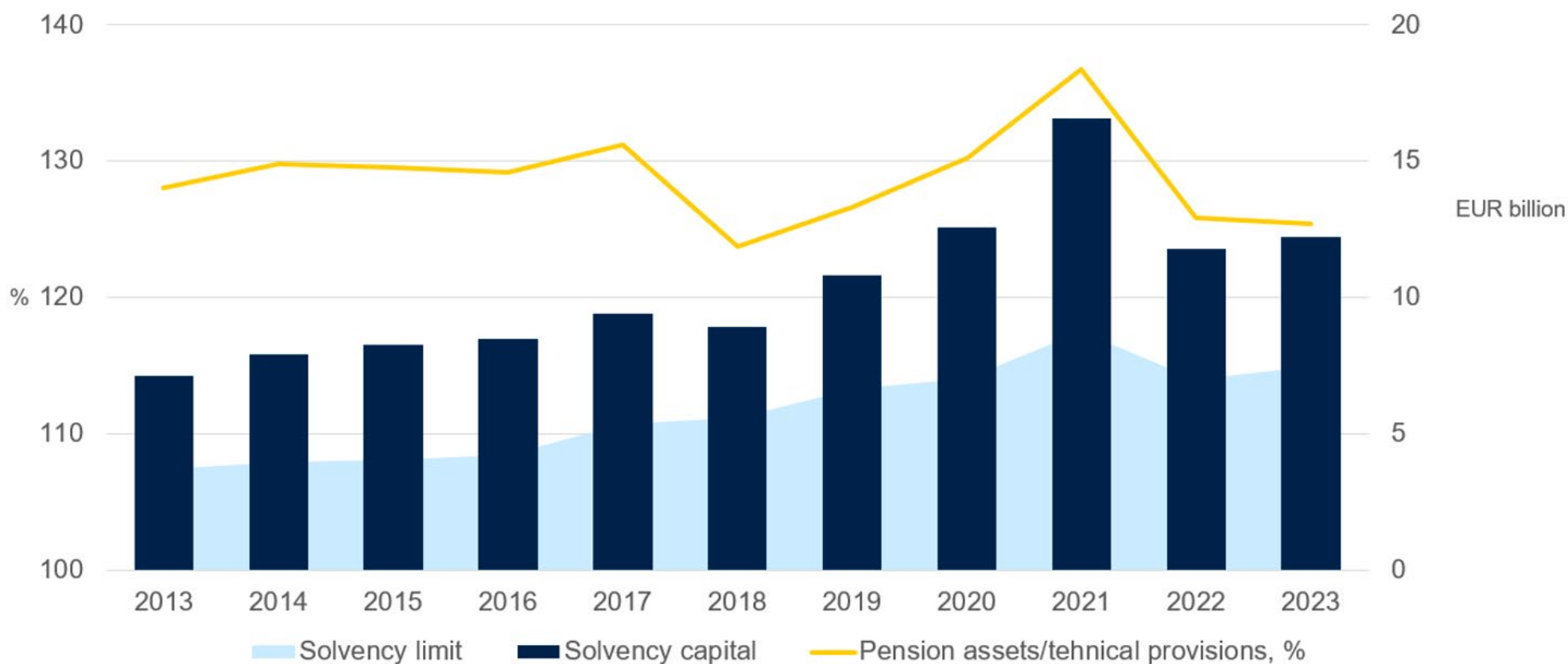
■ Finland ■ Other developed markets ■ USA ■ Japan ■ China ■ Other emerging markets

Fixed income investments by type of investment



■ Loan receivables ■ Public corporation bonds ■ Other bonds ■ Other money market instruments and deposits

Solvency



Solvency is a measure of how well we deal with the risks associated with the management of pensions and pension assets. Following the amendment concerning expense loading that entered into force at the start of 2023, the amount of client bonuses is based on solvency only. One per cent of the pension company's solvency capital will be credited to customers, and these bonuses will lower their pension contributions the next year. Client bonuses will accrue under the new model starting in 2023, and they will be credited to customers' pension contributions in 2024.

Environment (E)



Kuva: Inka Suhonen

Climate change risks and opportunities according to TCFD

In the following section, we report in more detail on the climate-related risks and opportunities associated with Ilmarinen's operations in accordance with the TCFD framework.

Governance (G)

Responsibility is part of all our investment decisions. Ilmarinen's Board of Directors approves [the Responsible Investment Policy](#) (pdf), which covers 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 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 composition of the Responsible Investment Executive Committee is decided by the President and CEO. 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. It also sets interim targets to achieve the net zero carbon target. Ilmarinen's investment department is responsible for the practical implementation of responsible investment.

Strategy (S)

Climate roadmaps leading the way to a net zero carbon investment portfolio
Average global temperatures



We report on climate-related risks

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. We report in accordance with the international Task Force on Climate-Related Financial Disclosures (TCFD) framework on the climate-related risks and opportunities that pertain to Ilmarinen's operations.

The TCFD was created to help companies incorporate climate-related financial disclosures into their reporting. Ilmarinen has used it in its sustainability reporting since the reporting year 2018.

As of 2024, the International Sustainability Standards Board (ISSB) will incorporate the TCFD into its reporting standards. The data for 2023 is reported in accordance with the TCFD.

Taxonomy

We report the information according to the EU taxonomy for sustainable finance in our [Report on Operations and Financial statements 2023](#) (pdf) published on 15 February 2024.

have already increased by 1.2 degrees on pre-industrial levels. 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 systemic risk is to effect change in the real economy. This is why we want to facilitate real-world emission reductions through investing also in companies operating in high-emitting sectors, which are transitioning into a low-carbon economy. This transition is necessary to enable the global economy to decarbonise. 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.

In 2023, the Climate Roadmap was updated with, for example, a climate benchmark index and the exclusion of oil sand.

In 2024–2025, the roadmaps for the target period 2026–2030 (targets, actions, indicators, data sources) will be prepared. The biodiversity actions for Finnish real estate will be specified in more detail in 2024–2025.

Climate is taken into account in index solutions

In equity investments, we used broad ESG benchmark indices for a long time, but they were not sufficient for guiding us to reach a net zero carbon investment portfolio by the end of 2035. That is why, at the start of 2023, we started using an index family that increasingly takes the climate aspect into account in our equity investments. We were involved in developing the new MSCI Climate Action index family where companies are scored based on climate criteria while also considering general ESG requirements.

The method rates the companies in each sector based on climate criteria. In addition to the

emission intensity, the method also uses climate-related targets, positive climate solutions and the consideration of climate risks as criteria when assessing climate impacts. The index selects the top half of companies by count in each sector.

In investment grade corporate bonds, we started using an ESG benchmark index that also steers the carbon footprint in a better direction. ESG indices have a shorter history in fixed income investments than in equity investments. We actively monitor the development of the indices and are ready to switch over to a climate index once a similar product as for equity investments is launched for fixed income investments.

Risk management (R)

Climate change is a systemic risk, meaning it has the potential to affect investment portfolios across asset classes, sectors and geographical regions. The financial impacts of climate change can vary by timing, magnitude and direction.

We have a highly diversified portfolio and a long-term hori-

zon. Thus, it is important for us to understand the potential impacts of climate change on our investments also in the medium and long term.

We use two methods for analysing climate risks:

1. Assessment of climate impacts at the macro-economic level – asset classes, sectors, geographic regions (top-down)
2. Assessment of climate impacts at the company and security level (bottom-up)

Top-down approach

In the top-down approach we estimate how various predefined climate change scenarios impact the economy and capital markets. The top-down climate scenario analysis is a holistic approach helping to quantify climate-related risks on Ilmarinen key metrics, such as portfolio returns and solvency ratio over various time horizons. This is important for any investor looking to ensure portfolio resilience and business continuity by considering climate change in investment decision making. The previous top-down climate scenario analysis was performed in 2022. It is repeated every few years.

Bottom-up approach

The bottom-up approach allows us to quantify historical and forward-looking climate-related risks for listed securities starting from the security level. Analysing historical data such as the carbon footprint data of individual companies allows quantification of the greenhouse gas emissions (GHG) embedded within an investment portfolio. Carbon data, such as absolute greenhouse gas emissions, can be normalised using a financial indicator, such as turnover or enterprise value. This enables observation of carbon intensity information and comparisons between companies or investment portfolios. A number of other aspects, such as exposure to fossil fuels, can also be assessed.

This gives a better picture of the exposure to business that involves stranded asset risks, in other words risks related to resources that potentially cannot be used. They can materialise when transitioning 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 analyses depend 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.

Sustainability risks as part of the Own Risk and Solvency Assessment

We aim to engage our investees to consider climate-related risks in their operations. Ultimately, divestment of investments is one of our ways to manage climate risk. It means divesting from coal- and fossil-dependent companies that ignore the climate-related risks affecting their operations. 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 change may have an impact on economic structures and the laws of the economy and the investment markets, which may differ from what is usual due to climate change. Sustainability risks (including climate-related

risks) are addressed as part of Ilmarinen's Own Risk and Solvency Assessment.

In 2023, Ilmarinen carried out a modelling of a climate-scenario concerning the development of technical provisions and the financing of pensions. In the scenario modelling, climate change was estimated to slightly increase net immigration, among other things, thus strengthening the sustainability of the pension system in the long term. The scenarios are, however, subject to considerable uncertainty.

Of the modelled physical hazards that our direct listed equity portfolio and corporate bond portfolio are exposed to, cold waves are the main source of physical climate-related risks. Flooding and drought are also key sources of climate-related risks. Compared to the previous year, physical climate risk hazards remained similar.

Metrics and targets (M)

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 (e.g. car-

bon footprint) and forward-looking analysis (e.g. two-degree scenario modelling and assessment of transition risks and physical climate risks). The figures for 2023 are calculated by S&P Trucost, as in the previous year. Where no public, verified data on the investee's emissions is available, the calculations are based on sector averages.

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-related risks of our investments.

In 2023, the share of companies disclosing their greenhouse gas emissions of our direct listed equity portfolio was 88 per cent, the same as in 2022. In our corporate bond portfolio, that proportion was 78 (79) per cent. The share of reporting companies remained at the previous year's level.

Carbon footprint of investments

Carbon footprint reporting covers listed direct and indirect equity investments and corporate bonds, government bonds and real estate. In 2023, instead of

the general market index, we used climate indices which include the companies with the highest climate performance in their respective sectors and geographical areas, as the benchmark indices for international direct listed equity investments. The weighted carbon footprint of these indices is significantly lower than that of the so-called parent indices.

The direct listed equity portfolio's weighted carbon footprint (WACI) decreased by roughly 12 per cent compared to the previous year and is lower than the weighted average carbon intensity of the climate benchmark index. The indirect listed equity portfolio's weighted carbon footprint (WACI) decreased by 13 per cent compared to the previous year.

The weighted carbon footprint (WACI) of the direct corporate bond portfolio fell significantly, by 60 per cent, compared to the previous year. Just as the other listed instrument portfolios, the weighted carbon footprint (WACI) of the indirect corporate bond portfolio also fell.

Absolute Scope 1 and 2 emissions fell in both the direct listed equity portfolio and the direct

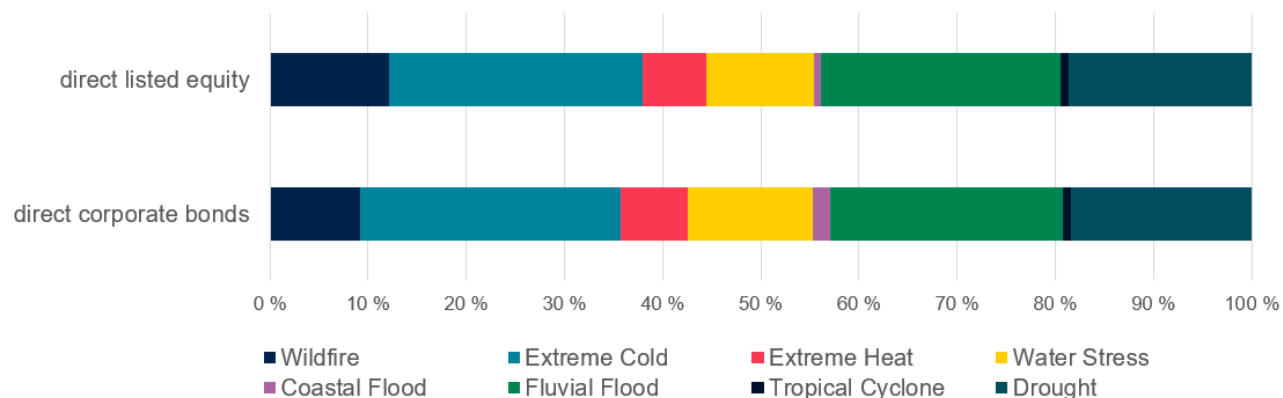
corporate bond portfolio. Absolute Scope 3 emissions rose in both portfolios. The service provider improved the Scope 3 calculation in 2023, which may have an impact on the results, in addition to sector changes within the portfolio.

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

Scenario analysis

One way to observe the development of investments' 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.

Relative shares of physical risk



Sustainability risks

Transition risk

Transition risks arise when transitioning to a low-carbon economy. Examples of transition risks include legislative and political risks, risks related to changes in technologies and markets, and reputation risks.

Physical risk

The physical risks of climate change for an investment portfolio can be long-term shifts or acute new phenomena: flooding, storms and local changes in climate in, for example, precipitation and temperatures. Physical risks affect companies in many ways, for example by causing supply chain disruptions or production interruptions. Physical risk analytics is still something new. Therefore, we assess the risks as indicative information on the portfolio level at this stage.

Greenhouse gas emissions of Ilmarinen's investments

	2023	2022
Direct listed equity portfolio		
Weighted carbon intensity (tCO ₂ e/MEUR sales, WACI, S1+S2)	127	145
Weighted carbon intensity in relation to aggregate benchmark (per EUR 1 mill. net sales)	-5 %	7 %
Absolute emissions (tCO ₂ e, scope 1+2)	801,172	1,319,570
Absolute emissions (tCO ₂ e, Scope 3)	8,511,438	5,949,186
Indirect listed equity portfolio		
Weighted average carbon intensity (tCO ₂ e/EUR 1 million of net sales, WACI, S1+S2)	112	129
Absolute emissions (tCO ₂ e, scope 1+2)	243,310	316,975
Absolute emissions (tCO ₂ e, Scope 3)	3,417,122	3,178,089
Direct corporate bond portfolio		
Weighted carbon intensity (tCO ₂ e/MEUR sales, WACI, S1+S2)	78	193
Absolute emissions (tCO ₂ e, scope 1+2)	152,556	161,526
Absolute emissions (tCO ₂ e, Scope 3)	2,166,321	579,713
Indirect corporate bond portfolio		
Weighted carbon intensity (tCO ₂ e/MEUR sales, WACI, S1+S2)	166	232
Absolute emissions (tCO ₂ e, scope 1+2)	186,868	164,531
Absolute emissions (tCO ₂ e, Scope 3)	1,056,422	754,595
Direct government bond portfolio		
Weighted carbon intensity (tCO ₂ e/GDP, WACI, D+FTI)	739	859

Calculated effect of energy savings measures

	2023	2022
Calculated effect of energy savings measures on the energy consumption of properties, MWh/yr	4,734	1,010

TETS and VAETS refer to the Ministry of Economic Affairs and Employment's energy efficiency agreements that we have committed to. The difference between 2022 and 2023 is large because exhaust air heat pumps have been made at four sites.

Carbon footprint of real estate

Carbon footprint of real estate investments

	2023 market based	2023 location based	2022 location based
Domestic real estate			
***Finnish real estate total CO ₂ e/m ²	14	17	26
Warehouses kg CO ₂ e/m ²	7	13	18
Offices kg CO ₂ e/m ²	14	21	32
Institutional care buildings kg CO ₂ e/m ²	34	26	36
Parking facilities kg CO ₂ e/m ²	1	7	90
Other kg CO ₂ e/m ²	2	7	11
Commercial buildings kg CO ₂ e/m ²	21	15	21
Hotels kg CO ₂ e/m ²	11	30	35
Residential buildings kg CO ₂ e/m ²	15	18	29
Foreign real estate		35	40
Offices kg CO ₂ e/m ²		42	50
**Commercial kg CO ₂ e/m ²		19	52
****Residential buildings kg CO ₂ e/m ²		14	21
*All real estate kg CO₂e/m²		24	32

* All properties, kg CO₂ eq/m² are calculated by combining the domestic and international portfolios together. All emissions/all squares.

** Figures for 2023 are not comparable with previous years because the classification between real estate types has been changed.

*** Domestic real estate figures are not fully comparable with previous years because of changes in reported areas: in the 2023 report, the carbon footprint has been compared with gross areas, previously the comparison figure has been the leased area. Non-comparable items are excluded from reporting.

**** Figures for 2023 are not fully comparable, as the areas have changed by a total of +38% since last year's audit calculation.

Carbon footprint of new construction

	2023	2022
Carbon footprint per square metre (kg CO ₂ e/net m ² , emissions)	410	375
Carbon footprint per square metre (kg CO ₂ e/useful floor area m ² , emissions)	527	495
Carbon emissions from construction in relation to annual net sales (tCO ₂ e/EUR 1 million)	107	111

The coverage of the calculation in the listed equity portfolio is around 97 per cent and in the corporate bond portfolio only some 71 per cent. The low coverage of the bond portfolio can be explained by the proportion of issuers made up of non-listed companies and the lower coverage of data for non-listed companies. Data quality is likely to improve further in the next few years. That 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 2023, the direct listed equity portfolio exceeded the two-degree scenario by 43 per cent, against 11 per cent in the previous reporting year (15 in 2021, 20 in 2020). The majority of the sector portfolios were aligned with the two-degree scenario. The overall result was negatively affected by the fact that one sector was more weakly aligned with the two-degree warming scenario of the Paris Agreement than the rest of the portfolio. In 2023, the corporate bond portfolio exceed-

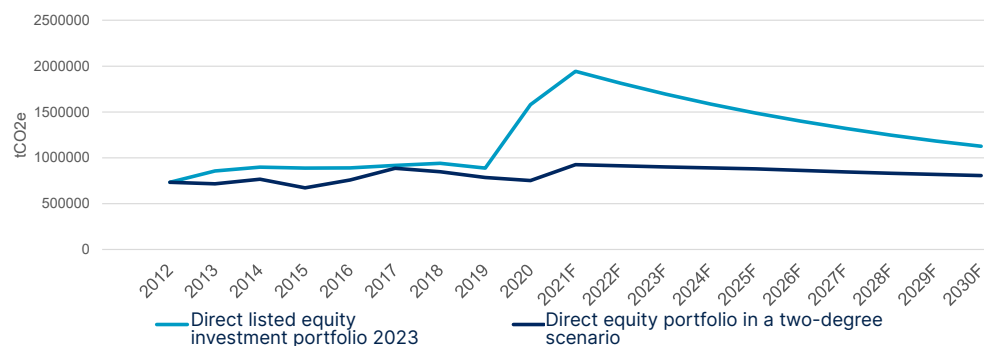
ed the two-degree scenario by 5 per cent, which was a clear improvement compared to 2022 (17 per cent).

Fossil fuels and renewable energy

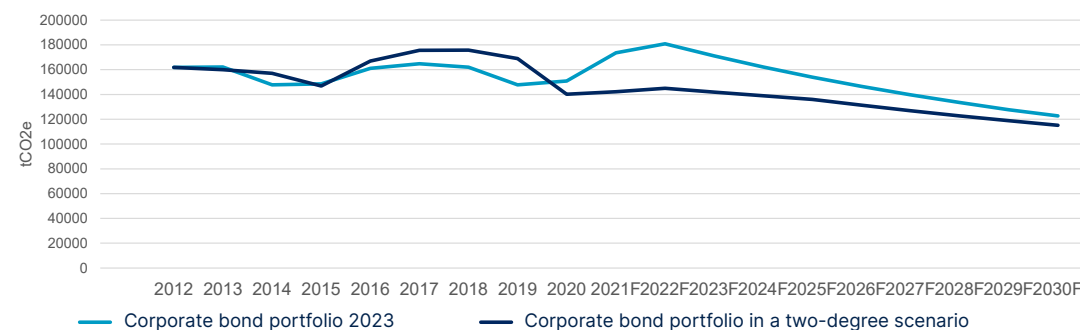
In accordance with our Climate Roadmap, we have excluded from our direct listed equity and corporate bond portfolio investments in companies that make new investments in coal-based energy production, mine thermal coal or produce oil using oil sand. By 2030, we will exclude all coal-based energy production from our investments. Overall, investments in coal-based energy production in 2023 made up 0.09 per cent (0.24) of the direct listed equity portfolio and 0.10 (0.13) per cent of the direct corporate bond portfolio.

The target recorded in our Climate Roadmap is for at least 40 per cent of our investees' energy production to be renewable energy by 2030. In 2023, the share of renewable energy of the portfolio's energy production (GWh) rose to some 35 per cent in the direct listed equity portfolio (26 per cent in 2022). In the direct corporate bond portfolio,

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



the share of renewable energy rose to 31 per cent (26 per cent). The shares of all renewable energy production modes increased from 2022. Overall, natural gas, nuclear power and hydropower covered three quarters of the portfolio's energy production.

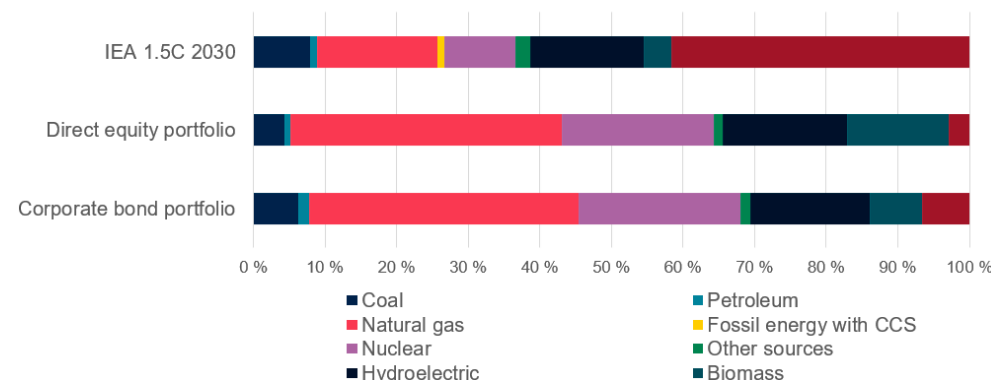
Ilmarinen's target for direct listed investments for 2030 is to have no coal-based energy production in the portfolio. In 2023, coal-based energy production (GWh) accounted for around 4 per cent (15 per cent in 2022) of the direct listed equity portfolio and for 6 per cent (14 per cent) of the direct corporate bond portfolio.

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 2023.

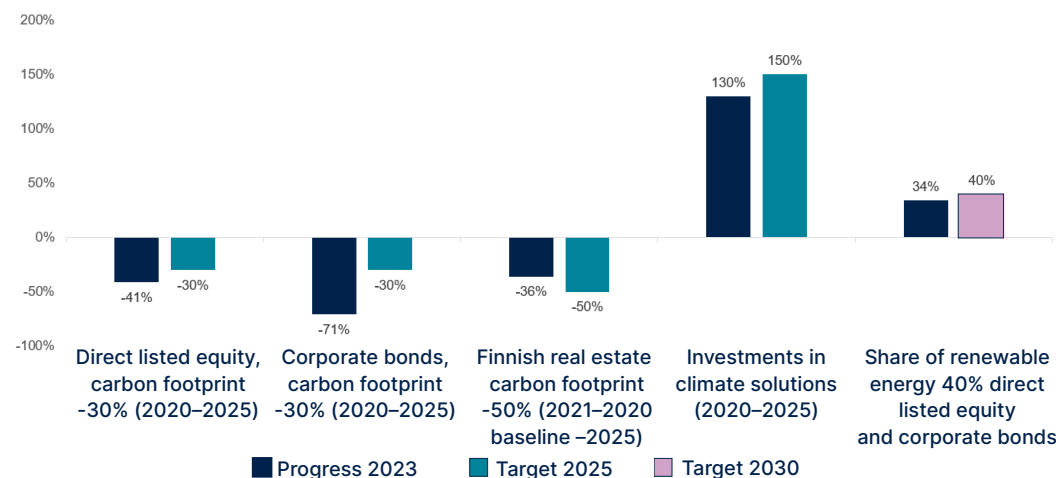
Progress made in the Climate Roadmap's targets

Our Climate Roadmaps guide Ilmarinen's climate actions. Roadmap interim targets have been set for 2025 and 2030. We have already reached some of our targets for 2025. For example, the carbon footprints of direct listed equities and direct corporate bonds have declined between 2020 and 2023 more than the target set for 2025. Investments in climate solutions have also increased towards the 2025 target, and the share of renewable energy has also progressed towards the 2030 target. Our climate work requires continuous development. In the upcoming years, we will develop our Climate Roadmap further, tighten our targets and set new targets.

Energy production in relation to the 1.5-degree scenario



Progress on Climate Roadmap targets



Location-based carbon calculation has been used in the calculation of domestic properties. For domestic properties, not all figures are comparable to the figures for 2022 due to changes in reported areas, for example.

Biodiversity-related risks and opportunities in accordance with the TNFD framework

The economy is profoundly dependent on natural capital and biodiversity. As a long-term investor, it is important for us to consider long-term risks related to biodiversity and natural capital. We covered these themes in our [Biodiversity Roadmap published in 2022](#) (ilmarinen.fi).

We aim to follow the best available practices and continuously develop our biodiversity approach to be able to address our portfolio's nature-related impacts and dependencies. This is the second time that we report on nature-related risks and opportunities in accordance with the Taskforce on Nature-related Financial Disclosures (TNFD) framework. The framework was published in September 2023. In 2022, we reported in accordance with its beta version.

Governance (G)

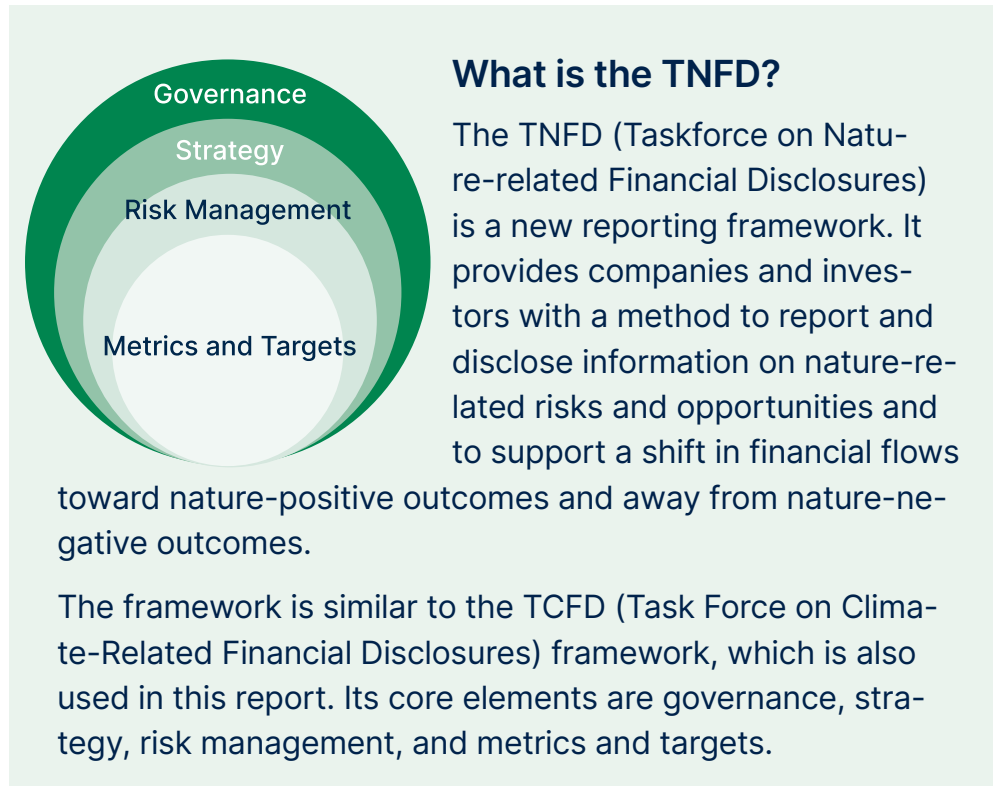
[The Responsible Investment Policy](#) (pdf) approved by Ilmarinen's Board of Directors covers the environmental principles related to investments, including taking biodiversity into account. The Responsible Investment Executive Committee approves the Biodiversity Roadmap and monitors its practical implementation. The Responsible Investment Executive Committee is presented above in the section 'Sustainability at Ilmarinen' of this report. The investment organisation is responsible for implementing the actions specified in the Biodiversity Roadmap with respect to investments.

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Strategy (S)

The Biodiversity Roadmap we published in 2022 outlines our strategy and actions in the upcoming years. Our key actions include, among other things:

- Portfolio level analysis to build understanding on biodiversity and natural capital-related risks and impacts



- Identifying investees that are dependent on nature and/or have a significant impact on nature
- Supporting key investor collaborative initiatives that enhance biodiversity (e.g. Nature Action 100)
- Supporting sensible nature-positive motions at general meetings
- Biodiversity reporting (e.g. TNFD)
- Collaboration and continuous learning and testing of new approaches together with

our partners (we have tested different data sources and methods for portfolio analysis)

Risk management (R)

The Taskforce on Nature-related Financial Disclosures (TNFD) framework defines nature-related risks as potential threats posed to an organisation linked to its and other organisations' nature impacts and dependencies. Nature-related risks can be divided into physical risks, systemic risks and transition risks which, in turn, can be divided further into regulatory, market, technology, reputation and legal risks.

For investors, biodiversity loss is a significant risk, and it may be impossible to hedge against it completely by, for example, diversifying investments. There is a clear need for a risk assessment, as it makes it possible to both manage risks and draw on opportunities. That is why it is important for investors to understand the two-way impacts of investments: the investments' exposure to biodiversity risks and the investments' impacts on biodiversity and natural capital.

We assessed the investment portfolio's biodiversity-related

risks. A summary of the results of this analysis is presented in this TNFD report. Key assessment methods include:

- Identifying the key sectors that are related to biodiversity and natural capital. In 2023, we employed two methods;
 - Using the guidance created by the TNFD for investors. The guidance identifies 16 key sectors that are significant for nature.
 - Using the ENCORE analysis.
- Analysing the companies operating in these sectors that are significant for biodiversity and natural capital based on available data.

Investors can manage risks through portfolio analysis and steering and by engaging with investees through active ownership. Reactive engagement aims at changing companies' practices, i.e. identifying breaches of international standards and taking corrective action. Proactive engagement means promoting good and responsible practices. These processes help build understanding of natural capital and biodiversity in business and value creation.

In 2023, we joined the international Nature Action 100 investor engagement initiative, which encourages a hundred large companies in sectors that are essential for biodiversity to consider biodiversity in their operations. Monitoring real changes is key when it comes to biodiversity. Therefore, we aim to encourage companies operating in high-risk and high-impact sectors to increase measurement and reporting concerning biodiversity and natural capital through evolving global standards.

In proxy voting, we also follow an ESG policy that takes account of ESG-related general meeting items in particular. We have taken the first steps, but there is still much to do. As is the case with every aspect of responsibility and sustainability, continuous development is necessary. In the identification, assessment and prioritisation of nature-related impacts, risks and opportunities, we focus on investments that are the source of the majority of our potential impacts.

Metrics and targets (M)

Significant progress has already been achieved in the measure-

ment of climate change variables. Similar metrics for biodiversity are still in the process of being developed. Biodiversity is also more difficult to measure than climate change. For assessing climate change, there is a single global unit that can be measured and priced – Tonne of Carbon Dioxide Equivalent (tCO₂e). There is no such unit for assessing biodiversity, because biodiversity varies greatly depending on the location. Despite the difficulty, it is crucial for the long-term resilience of the economic system that the risks and impacts related to biodiversity and natural capital are measured and taken into consideration.

In our Biodiversity Roadmap, we have set targets for taking biodiversity into account. In 2024, our aim is to also prepare the first more detailed asset class specific biodiversity roadmap, in which we will specify the interim targets, the actions for achieving the targets and the metrics to be followed.

Dependencies and impacts of investments

The ENCORE analysis provides information on Ilmarinen's de-

dependencies and impacts on natural capital and ecosystem services. The analysis was performed for the listed equity portfolio. According to the analysis, water resources were the most significant natural capital asset on which the portfolio companies were dependent. From the perspective of impacts, several natural capital assets – atmosphere, mineral resources, water resources and species and habitats – were significant.

The ENCORE analysis was performed based on turnover data, and it must be noted that it does not provide information on financial risks. Nor does it take into account the geographical location, which is a highly significant factor in the context of biodiversity and natural capital, or management measures taken by individual companies. ENCORE provides information on potential but not realised impacts and dependencies.

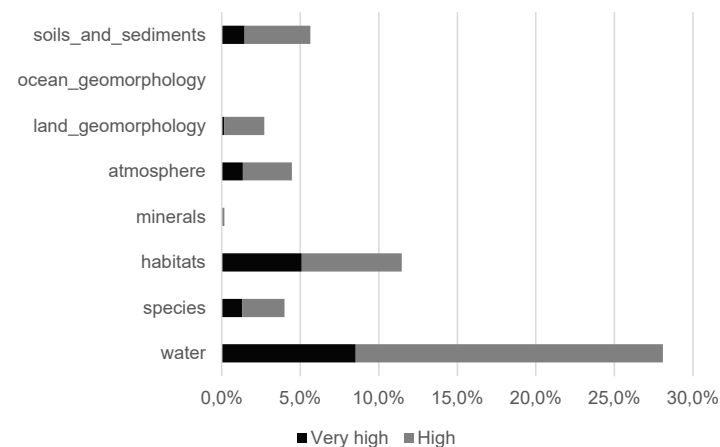
In accordance with the TNFD's sector-specific recommendations for the financial sector, we assessed the exposures of our direct listed equity and fixed income portfolios to sectors that are key for biodiversity. These sectors include, for example,

chemicals, construction materials, oil and gas and electricity production, automobiles, logistics, textile industry, semiconductors, consumer products, packaging, forest products, waste management, metals and mining industry, beverages and food products and pharmaceuticals.

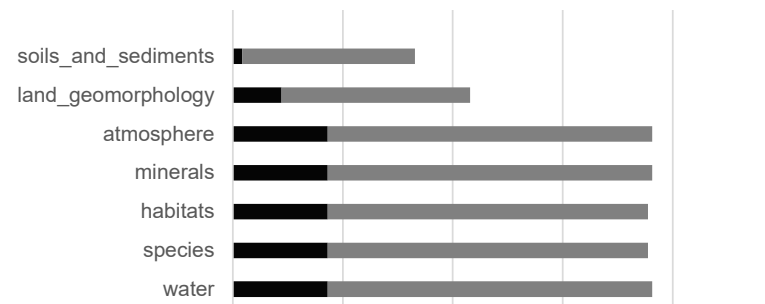
Based on the analysis, the majority of our investments are in sectors which the TNFD has not defined as priority sectors: just under 30 per cent of our portfolio is invested in sectors where nature impacts and dependencies play a significant role. Our largest exposures are in the pharmaceutical industry and in the paper and forest industry, which covered roughly half of the total exposure.

In order to obtain more information on the companies operating in these sectors that are significant for nature, we tested different data sources. Some of the data sources are not yet able to provide the necessary information, or the information they provide is not comprehensive enough. However, we identified companies' CDP reporting (Carbon Disclosure Project) as one of the currently available data sources, with a coverage of more

Dependencies of Ilmarinen's direct listed equity portfolio on natural capital and ecosystem services



Impact of Ilmarinen's direct listed equity portfolio on natural capital and ecosystem services



Source: SEB¹

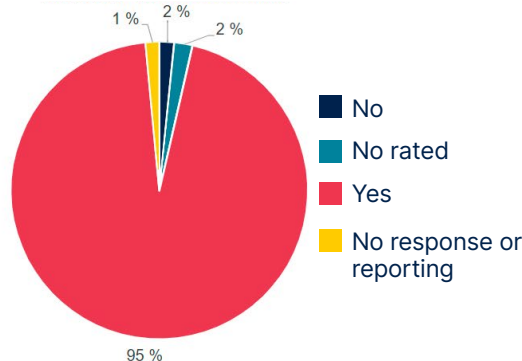
¹ The information is based on data from sources retrieved by SEB. SEB takes no responsibility for the accuracy of the information. Some information is based on assumptions and estimates about companies that do not report (for example sustainability data) in their annual reports. No warranty, expressed 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 their own opinion and draw their own conclusions about the companies covered by the information.

than 80 per cent – meaning that four out of five portfolio companies report to the CDP.

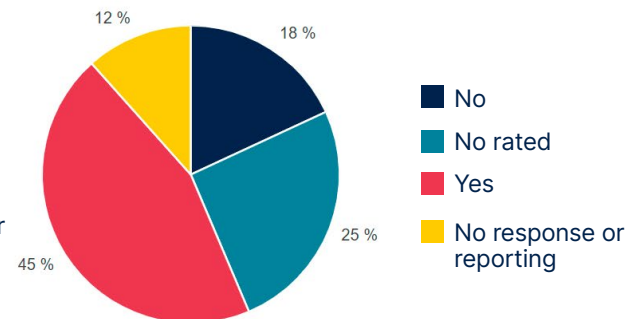
Using CDP data, we assessed how our portfolio companies operating in sectors that are key for biodiversity take biodiversity into account in their operations. Based on CDP data, a large part of the companies operating in such sectors seem to take biodiversity into account in their operations and aim to manage the nature-related risks faced by their operations. For example, almost 98 per cent of the paper and forest products companies in our portfolio state that biodiversity is under the responsibility and supervision of the Board of Directors, the executive management or both. Similarly, almost 98 per cent of the companies publicly disclose that they have supported or made biodiversity-related initiatives and commitments. The respective figures for pharmaceutical companies are 63 and 76 per cent.

Do companies have activities in areas sensitive to biodiversity

Paper and forest products



Pharmaceuticals



How Ilmarinen’s portfolio companies in selected sectors take biodiversity into account in their operations²

	No	Planned for the next 2 years	Yes	No response or no CDP reporting
Biodiversity is under the responsibility or supervision of the company’s Board of Directors and/or management				
Paper and forest products	0%	1%	98%	2%
Pharmaceuticals	7%	19%	63%	11%
The company has publicly committed to or supported biodiversity-related initiatives				
Paper and forest products	0%	1%	98%	2%
Pharmaceuticals	7%	6%	76%	11%
The company has assessed its value chain’s dependencies and impacts on biodiversity				
Paper and forest products	1%	2%	96%	2%
Pharmaceuticals	4%	54%	31%	12%

² The information is based on data from sources retrieved by SEB. SEB takes no responsibility for the accuracy of the information. Some information is based on assumptions and estimates about 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 their own opinion and draw their own conclusions about the companies covered by the information.

We design buildings to last at least a hundred years

We are one of Finland's largest real estate investors: as part of investing pension assets, we rent business premises and flats. Real estate investments accounted for 9.9 per cent, or EUR 5.8 billion, of all investments. Of our real estate investments, 71 per cent were in Finland and 29 per cent abroad.

In Finland, we have invested pension assets in a total of around 4,500 flats and around a hundred commercial, office, warehouse and other properties. A significant proportion of our real estate is located in the Helsinki capital region and in other central locations of other growth centres.

The buildings we develop are designed to last at least a hundred years. By developing the flexibility and accessibility of premises, we ensure that the tenants can use them in changing business situations or as a home at different stages of their lives.

We integrate biodiversity, climate and circular economy targets into construction. The

core of our design guidelines is systemic sustainability, which means, for example, replaceability of spare parts, reuse and zero waste planning, and the generation and use of renewable energy. Achieving a sustainable circular economy requires renewable and clean energy.

We aim to develop, for construction and renovation projects, the best solutions in terms of the life-cycle climate emissions. Good collaboration with authorities, construction companies, de-



"In our Climate Roadmap, we set out how we aim to reduce the emissions from our properties both during their use and during construction. In our contract agreement, we require that at least 75 per cent of construction and demolition waste is recycled. Our target is to raise the recycling ratio to 80 per cent by 2025."

Niina Nurminen, Construction Manager

signers and consultants is crucial in this work. In purchases related to property development, we emphasise the goals of sustainable, responsible and low-carbon construction.

We work closely with material

suppliers to be able to use low-carbon materials. Whenever possible, we use circular materials: for example, waste, excess and demolition materials. We apply for LEED environmental certification for our Finnish properties in particular.

Real estate key figures

	2023	2022
Customers' overall satisfaction with leased office premises	4.1	4.1
Overall satisfaction with real estate maintenance	4.4	4.3
Customers' overall satisfaction with leasing, office premises	4.2	4.1
*Completed homes (flats)		115
**Accessibility surveys in Ilmarinen's flats	35	0
Accessibility surveys in office premises	2	1
*Overall satisfaction with real estate development		4.5

*In 2023, no construction sites were completed.

** The big difference between 2022 and 2023 is due to the fact that accessibility assessment is done in the permit phase, i.e. before construction begins. That is, for example, the 35 accessibility surveys recorded for 2023 (35 apartments) targeted apartments that will be completed in 2025–2026.

Circular economy in a prime property at Aleksanterinkatu 13

The Aleksanterinkatu 13 property located in the heart of Helsinki was renovated in 2023. The renovation focused especially on circular solutions and efficient use of energy and materials.

We auctioned part of the property's contents, such as kitchen furniture, glass walls and shelves, before the demolition work was started.

The contractor dismantled from the building a total of 700 square metres of mesh ceiling, which will be used later in the renovation. The marble from the old panoramic lift located in the courtyard will be reused in the property's new structures. Old escalators were stored to be used as spare parts in the escalators of the Kämp Galleria shopping centre across the street. Lighting fixtures, wood railings, structural beams, clay bricks and copper roofing will be reused.

Of the demolition waste, metal, glass, wood, aggregates and gypsum can be recycled. In addition, some of the purchased materials were recycled materials and leftover materials from

other worksites. The renovation made use of materials that are as long-lasting as possible, healthy, safe and recyclable at the end of their life cycle. Careful consideration was also given to energy efficiency in the design and construction of, for example, thermal insulation, ventilation and heating.

In design, we worked together with the Finnish Association of People with Physical Disabilities to ensure accessibility of all the spaces and entrances of the property.



Bringing the iconic Postitalo building into the 2020s

The Postitalo building in Helsinki is undergoing a major renovation, while remaining faithful to its rich history. The renovation began in autumn 2023. In the interior spaces of the tower, formwork boards from intermediate floor structures and partition wall structures are being dismantled, among other things. The renovation work will continue after the demolition work in spring 2024

with the rebuilding of the interior.

Ilmarinen is committed to the national sustainable demolition Green Deal agreement, and the target is to achieve a recycling ratio of at least 75 per cent in the demolition phase.

Postitalo was taken into use in 1938. The building was erected in the middle of a growing and bustling capital city. It is still one of Helsinki's key locations today. Ilmarinen acquired the building in 2005.



We own buildings on three continents

We also own both commercial and residential properties far away from Finland: in Western Europe, the United States and in the Asia-Pacific region. In 2023, our focus in international real estate investments was on debt real estate investments, as the real estate market continued to adapt to the rapidly and strongly changing interest rate environment.

We improved our score in the GRESB assessment

We participated for the third time in the GRESB (Global Real Estate Sustainability Benchmark) assessment with direct international real estate. Our estimated real estate assets included 18 office properties, i.e. the same number as in 2022. Their total value is approximately EUR 3 billion. We received four out of five stars. Our score for office properties rose from 86 to 87 out of 100. We managed to improve our already good performance by one point, placing clearly above our peer

group's average of 80 points.

GRESB is a community established by investors, which provides its members the opportunity to measure, compare and develop the ESG performance of their real estate assets. Its membership consists of 150 institutional investors. GRESB's ESG performance data covers infrastructure and real estate assets worth EUR 7,200 billion.

The GRESB assessment broadly covers the various dimensions of ESG performance, from company-level sustainability management to stakeholder engagement and the environmental efficiency of the real estate portfolio. The global assessment is carried out annually. In 2023, 2,084 operators from 75 countries took part in the assessment. The assessment is based on the reporting year 2022.

Water intensity of the properties

	2023	2022
Water consumption of flats m ³ /m ² /year	0,95	0,97
Water consumption of office premises m ³ /m ² /year	0,21	0,21
Water consumption of foreign office premises m ³ /m ² /year	0,34	0,35

Energy intensity of the properties

	2023	2022
Energy consumption of flats, kWh/m ² /year	110.5	118.7
Energy consumption of office premises kWh/m ² /year	183.6	194.8
Energy consumption of foreign office premises kWh/m ² /year	129.2	155.8
*Energy consumption of foreign flats kWh/m ² /year	48.3	62.5

* Figures for 2023 are not fully comparable, as the areas have changed by a total of +38% since last year's audit calculation.

Ilmarinen's own operations climate impacts

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.

Ilmarinen's carbon footprint was calculated with the help of an external service provider now for 2023. As in previous years, the calculation was carried out in accordance with the International Greenhouse Gas Protocol (GHG Protocol). The starting point for the calculation was to take into account in a comprehensive manner 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.

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, leased assets, fuel production and energy transfer losses, transportation and distribution, waste generated in operations, business travel, commuting, rented out property and investments.

In 2023, most of the emissions were related to indirect emissions (scope 3 emissions sources), more specifically to investments (99.2%) and rented out property (0.7%). In Ilmarinen's carbon footprint calculation, only the direct listed equity portfolio and the direct corporate bond portfolio are included in the calculation.

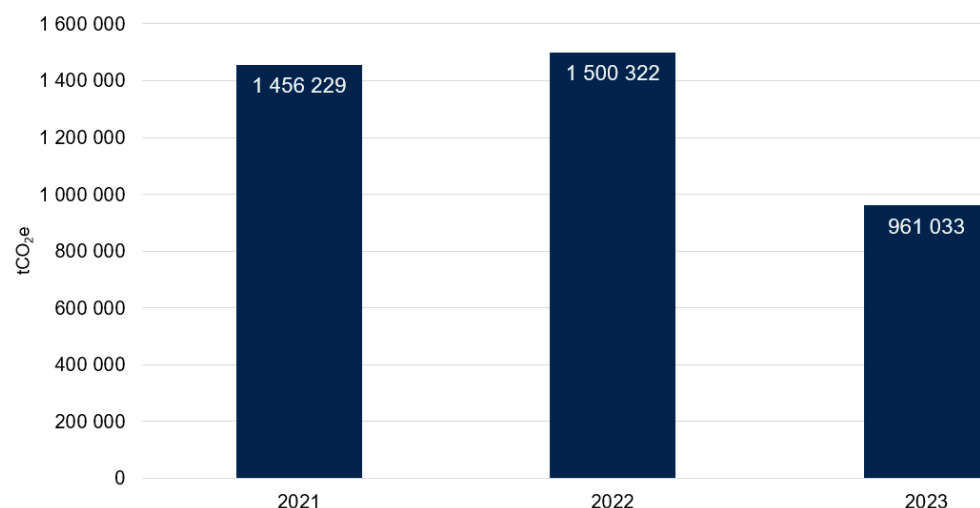
The remaining 0.1% of emissions consist of these:

- Direct emissions from Ilmarinen's own operations and emissions from energy consumption (scope 1 and 2) 0.04%.
- Remaining Scope 3 emissions 0.06%.

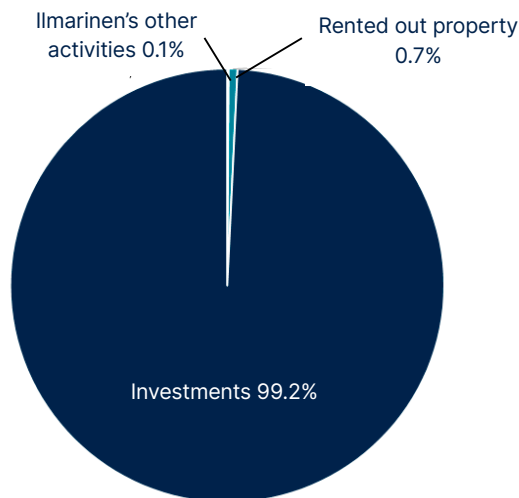
In a comparison of absolute emissions figures for two consecutive years, emissions have

decreased by 35.9% from 2022 to 2023. In 2023, Ilmarinen's total emissions were approximately 961,033 tonnes of carbon dioxide equivalent (tCO₂e).

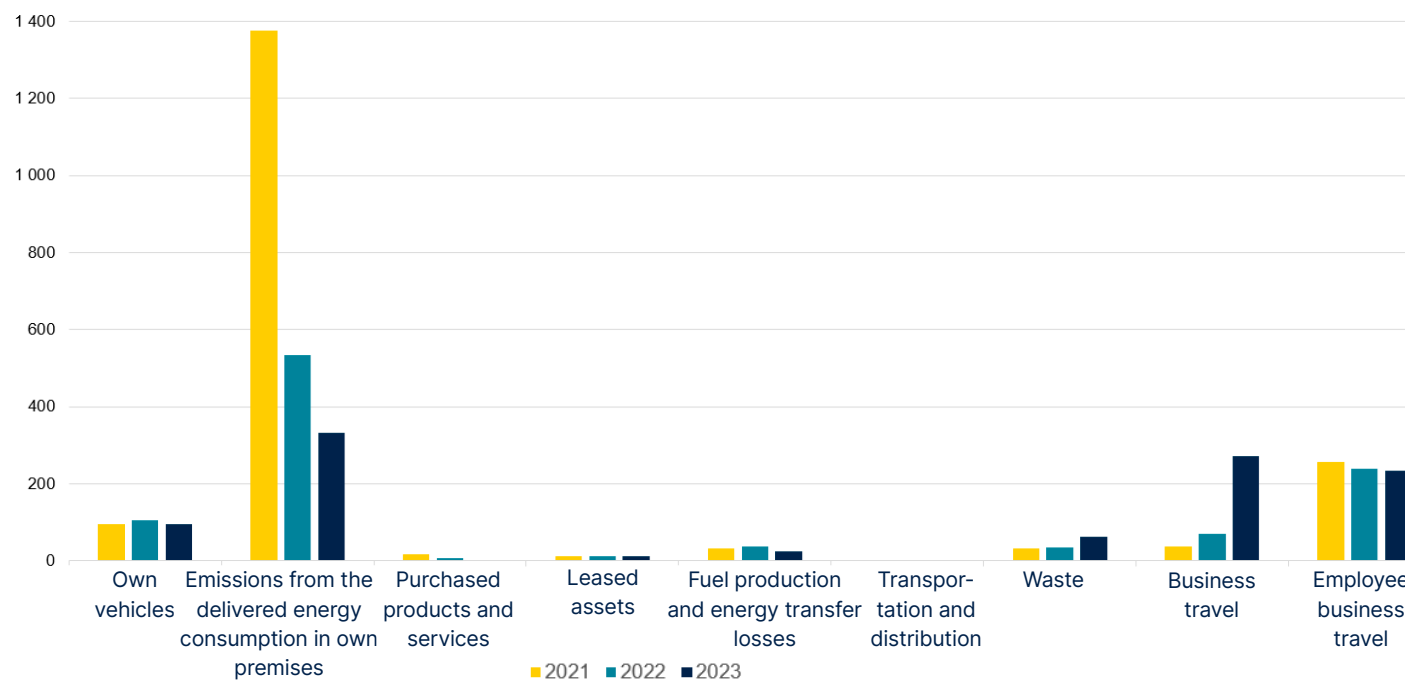
Total Scope 1, 2 and 3



Ilmarinen's own operations climate impacts



Other activities 0.1 %



We set guidelines for reducing emissions from our own operations

Based on emissions from our own operations in 2020–2023, we created a plan for climate action in our own operations and set goals to mitigate climate impacts:

The biggest emissions came from consumption of purchased energy, employees' journeys from home to Ilmarinen's office building (Porkkalankatu 1, Helsinki),

company cars, business travel and waste. By addressing these, we will bring about the biggest change in our emissions.

In the largest source of emissions, the consumption of purchased energy, the goal is to systematically calculate the emissions of district heat in line with the goals of the local energy

company. Energy efficiency has been at a good level in Ilmarinen for a long time, and the same direction will be continued.

Emissions from company cars will be reduced: The car pre-condition was changed in 2023 to strongly guide the choice of electric car. In recent years, the share of electric cars has increased.

In a couple of years, the number of internal combustion engine cars has halved and the number of electric and hybrid cars has quadrupled. The aim is to reduce the amount of mixed waste by, among other things, giving up the mixed waste compactor and replacing it with the collection of plastic.

The increase in emissions from waste and business travel is partly explained by the fact that coronaviruses were still in use in 2021 and 2022: the gathering and travel of people was restricted. In 2023, there were no more coronaviruses, which is reflected in an increase in the amount of waste and an increase in business travel.



People and society (S)

We respect human rights

Respecting human rights is an integral part of Ilmarinen's operations. The key human rights issues in our own operations are equal customer service, data protection, treatment of personnel and human rights impacts in our value chain, such as in our sourcing chain. In our investment activities, the most material human rights impacts are related to human rights in the investee and investment partner companies, and to human rights related to real estate and property development.

In 2023, we started preparations for a human rights due diligence process together with an external partner. Our goal is to analyse the human rights risks and impacts of our own operations, create processes to prevent the risks from materialising and to reflect on how possible human rights violations can be rectified. The work will continue over the next few years.

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 and diverse 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 our value chains".

We expect our investees to comply with international human rights standards

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.

In our [Responsible Investment Policy](#) (pdf), we require that, in addition to national legislation, the investee companies comply with the UN Global Compact principles and related international norms concerning human rights, labour rights, the environment and the fight against 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.

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 engage with the sustainability performance of our investees".

Focus on employees' rights in real estate investments

As a major real estate investor, we do our part in taking human rights into account in our real estate investments. We pay special attention to employees' rights in our obligations to combat the grey economy: these obligations are applied to all of

our new construction, renovation and modernisation projects. We prevent the grey economy in the construction sector, together with the relevant authorities.

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 also 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. 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 our 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 construction, we take into account accessibility and adaptability. By designing business premises and homes, accessible and adaptable facilities are made easier to use. Since 2016, we have been mapping the accessibility of our premises together with the Finnish Association of People with Physical Disabilities.

In 2023, we started preparations for a human rights due diligence process, which will further enhance the consideration of human rights.

Additional information on the way we work can be found in our [Guidelines for combating the grey economy](https://www.ilmarinen.fi/en/guidelines-for-combating-the-grey-economy) (ilmarinen.fi).

We made some modifications to our office building as recommended by accessibility experts

In 2023, accessibility experts from the Finnish Association of People with Physical Disabilities conducted an accessibility assessment in Ilmarinen's office building. The assessment covered both Ilmarinen's own premises and those leased to others. We acted, for example, on the recommendation from the assessment to increase the number of accessible parking spots and to mark them more clearly. In addition, the accessible toilet facilities will be improved. The capacity exists to automate the doors and gates used by personnel.



Susanna Korkeakangas and Noora Piipponen, accessibility experts from the Finnish Association of People with Physical Disabilities, conducted an accessibility assessment in Ilmarinen's office building in Ruoholahti, Helsinki. Photo: Fanni Toimela

We serve our customers equally

An increasing number of our customers use our online services and can use a personal chat service if they need help. We also help our customers by phone. In 2023, we renewed our service model for private customers to even better accommodate our customers' needs. We serve our private customers from A to Z in accordance with the customer's process. A large team of specialists answers customers' phone calls and messages, taking care of the customer's matter in one go.

We improved the holistic and consistent customer experience for large and mid-sized customers by revamping the online service into a digital [Work Ability Hub service offering](#) (ilmarinen.fi). This way we support companies in work ability management, thus helping them succeed. We offer our customers digital data-driven management solutions that enhance forecasting their work ability risks and insurance contributions: our new data-driven management service is a situation overview of work ability. It shows, at a glance, the compa-

ny's overall risk situation, as well as peer data on work ability risks in the company's business sector. The objective is to prevent the risk that employees insured with Ilmarinen will have to retire on disability pension. The service offering combines proven practices and research information about work ability risks. The Work Ability Hub provides assistance for, for example, occupational health collaboration, promoting musculoskeletal health and supporting mental health, as well as early support and strategic work ability management.

We are covered by the accessibility directive, which means that our online service has been developed with accessibility and usability in mind. We also switched over to the national Suomi.fi authentication service, which is available to everyone, in all our online services. Through broad inclusion of users, we strive to ensure equal use and experience of our services. As a responsible earnings-related pension insurance company, we have designed our modern services to be cost-effective to maintain. They can also easily be expanded as our customers' needs change.

We use the 'Equal service for

"It pays to give feedback!"

Feedback on insurance services (employers, entrepreneurs, accounting firms) and pension services (private customers: insured persons, pension applicants and pensioners) is collected, for example, from the online service, by phone, chat, email and through satisfaction surveys among those who have received a pension decision. In 2023, more than 20,000 instances of open-ended feedback were received. Roughly 70 per cent of them were positive, around 20 per cent negative and some 10 per cent were development ideas.

We use the feedback to continuously improve our operations. During 2023, among other measures, we improved the texts of our online services and instructions, renewed the login process for our online services and increased payment options.

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

We raise awareness of pension security

The basic rule of the Finnish earnings-related pension system is that all earnings accrue pension. In addition, pension accrues on degrees completed in or after 2005, some social benefits, and childcare leave for children under three.

Old-age pension and partial early old-age pension bring security for when you get older, but earnings-related pension is also helpful when your work ability is impaired due to illness, for example. In that case, you may be eligible for a disability pension, a years-of-service pension or vocational rehabilitation. The years-of-service pension is intended for employees aged 63 and over, who have performed tough and strenuous work for a long time and whose work ability has weakened due to illness or an injury. Survivors' pension brings financial security when a spouse or a family provider dies.

Pensioners' income is often lower than what they earned when working. It is worth find-

ing out, well ahead of time, how much pension you will receive. The easiest way to estimate the size of your future pension is our MyPension service, which can be accessed by logging in on our website or, as a new channel, from OP's mobile bank. Through the bank channel we can reach a wider range of customers, and especially our young insured have discovered our services via this channel. The MyPension service shows how much pension you have accrued and an estimate of the future amount. The number of visitors in the service increased by 28 per cent.

Flexible retirement

You can retire on old-age pension flexibly once you have reached your lower old-age pension age. The lower retirement age increases by age group and, for example for those born in 1959, it is 64 years and 3 months. Those born in 1964 can retire on old-age pension at the earliest at the

Number of pensioners

	2023	2022
Old-age pensions	340,802	343,828
Partial early old-age pensions	14,397	13,027
Part-time pensions	0	3
Disability pensions	32,250	33,269
Survivors' pensions	67,564	68,356
Years-of-service pensions	45	29
Total number of pensioners	455,058	458,512

Senior Deed of the Year to Vaasa

The Senior Deed of the Year award 2023 went to City of Vaasa's Helppari and elderly care assistant activities. The objective of the activities is to integrate long-term unemployed people back into working life by offering them authentic and concrete work with the elderly while at the same time improving the well-being of elderly people.

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 sixteenth time in 2023. The award supports the development of methods to promote the welfare of the aged and increase appreciation for work with the elderly.

age of 65. The retirement age of those born after that is tied to life expectancy.

To receive old-age pension, your employment relationship must end. The pension will not be paid automatically; it must be applied for. The easiest way to apply for pension is through Ilmarinen's MyPension service. Usually, we first issue a provisional pension decision based on the earnings data contained in the Incomes Register. We issue the final pension decision once the employer has reported the last earnings data, the information that the employment relationship has ended and the final salary to the Incomes Register.

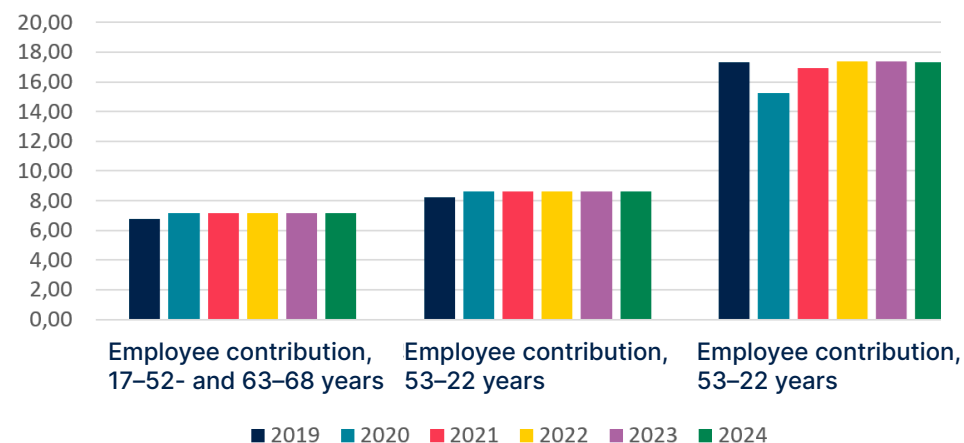
Partial old-age pension helps you continue working for longer: you can work less and supplement the lower wage income with the partial old-age pension. You can also continue working as before. Partial old-age pension can also be granted to the unemployed. You can start withdrawing either 25 or 50 per cent of your accrued pension at the age of 61 at the earliest. For those born in 1964, the lower age limit will rise to 62 years and for those born in or after 1965, the lower age limit will be adapted to the change

in life expectancy. The partial old-age pension will permanently reduce the final old-age pension, which is why it is worth estimating the future pension amount in the MyPension service. It is also a good idea to estimate how it will impact taxation.

The number of partial early old-age pension applications submitted in 2023 was more moderate than the year before. Towards year-end, the number of applications grew but was far from the exponential growth observed in 2022. In 2023, the fast processing of old-age pension applications continued, with the average processing time being five days. We sent our insured approaching the retirement age an electronic message, inviting them to familiarise themselves with their pension and to prepare for retirement well ahead of time.

In 2023, we reached an increasing number of pension recipients with an electronic message: we sent them an electronic message when the information about their pension amount in 2024 became available in the MyPension service. We continued to send the information in a printed letter to pensioners that cannot be reached by an elec-

Pension contributions (TyEL), % of salary



tronic message or who need the information on paper for some other reason.

Survivors' pension helps if your spouse dies

In the case of survivors' pensions, fast and smooth processing of the applications is particularly important. The death of your spouse is one of the greatest sorrows you may have to experience. If you have lost your spouse you may be entitled to surviving spouse's pension. As of

2022, survivors' pension is paid not only to married spouses, but also to common-law spouses under certain conditions, if the spouses have a child under 18 together and have lived together for at least five years. Survivors' pension is paid for ten years or until the youngest child turns 18. The fixed term applies to surviving spouses born in 1975 or thereafter. Survivors' pension is also paid to children who have lost their parent until the age of 20. If the deceased does not have a surviving spouse entitled

YEL is the basis for a self-employed person's social security

YEL insurance is statutory, which means that it must be taken out when certain conditions are met (YEL income level, working in the company, age, country of residence, continuous nature of entrepreneurship). New entrepreneurs get a 22-per-cent discount on YEL contributions for the first four years. 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. 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.

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

to survivors' pension, the surviving spouse's calculated share is paid to the children.

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 survivors' pension 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).

Amended Self-Employed Person's Pensions Act in force

Entrepreneurs are responsible for their entire pension contribution. Their 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. For entrepreneurs, the pension contribution is tax deductible, which is not the case for employees.

The YEL act was amended at the start of 2023 because the YEL income of an increasing number of self-employed persons did not match the value of their work input, meaning that their security level was low and lagged behind that of other population groups. The objective is to improve entrepreneurs' security and harmonise how self-employed persons' YEL income is determined in different pension companies. The amendment focuses on how a self-employed person's income for pension insurance purposes is determined and how pension companies review it.

One of the elements used to determine the YEL income is the median wage of employees in the sector in question. The entrepreneur's opinion is also heard: when confirming the YEL income, the pension company takes 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 review self-employed persons' YEL income level regularly every three years. Previously, pension companies used to update YEL incomes at the entrepreneur's own request or when adjusting YEL incomes with the wage coefficient at the start of each year. In 2024, the wage coefficient will raise the YEL income by 5.1 per cent.

In 2023, reviews were carried out for entrepreneurs whose YEL income was below EUR 15,000 per year and had not been materially adjusted in three years. We invited the entrepreneur to read about the YEL income review options in our online service and to provide any necessary supplementary information to bring the YEL income to the right level. Pension companies are required to justify their YEL income decisions and the information used better than before. This makes it easier to understand how the YEL income is determined.

Careful preparation paid off

We prepared for the YEL income

reviews carefully, and they progressed better than anticipated and suggested in public debate. The reviews have understandably sparked a debate, because a higher YEL income impacts the entrepreneur's pension and social security and their pension contribution. Entrepreneurs' awareness of the reviews and their understanding of their own YEL insurance and social security have clearly increased. The majority of self-employed persons preferred to conduct the review process through our online service. They contacted our customer service if they needed help, wanted to double-check something or were confused about something.

In their feedback concerning the reviews, entrepreneurs praised our clear communications, the ease of the review process and the quality of our customer service. On the negative side, entrepreneurs were dissatisfied with the legislative amendment in general, the information used in calculating the YEL income and not knowing what to do in different situations. The YEL income reviews will continue in 2024 for entrepreneurs whose YEL income is below EUR 25,000 per year and has not been

adjusted in three years.

A long-term downward trend came to an end as YEL incomes clearly started to rise on the back of the reviews introduced after the legislative amendment. In December, the average annual YEL income of our self-employed customers was EUR 25,340. The annual YEL income of starting entrepreneurs in 2023 at Ilmarinen was EUR 20,550 on average.

The average YEL income of all our self-employed customers increased 7.7 per cent in 2023.

The YEL contributions collected by a pension company go towards paying the pensions of self-employed persons who are currently on pension. The pension company will thus not benefit financially from higher YEL contributions or an increase in the level of YEL income.

TyEL insurance and customer retention

	2023	2022
Insured under TyEL	602,069	611,380
TyEL policies	57,041	61,084
Customer retention, employers and self-employed persons	96.5 %	96.7 %

YEL insurance policies

	2023	2022
YEL insurance policies / Self-employed persons who have taken YEL insurance from Ilmarinen	73 283	75 240

Satisfaction with services

	2023	2022
NPS for online services	44	47
NPS for phone services	76	74
NPS for insurance services	35	43
NPS for pension services	64	56

Ilmarinen's pensioners: age and gender in 2023

Age	Male	Female
100+	77	523
90-99	6,551	17,794
80-89	41,701	61,267
70-79	93,350	81,690
60-69	64,746	44,368
50-59	6,863	5,808
40-49	2,626	2,397
30-39	1,191	1,025
18-29	1,027	950
Under 18	1,505	1,405

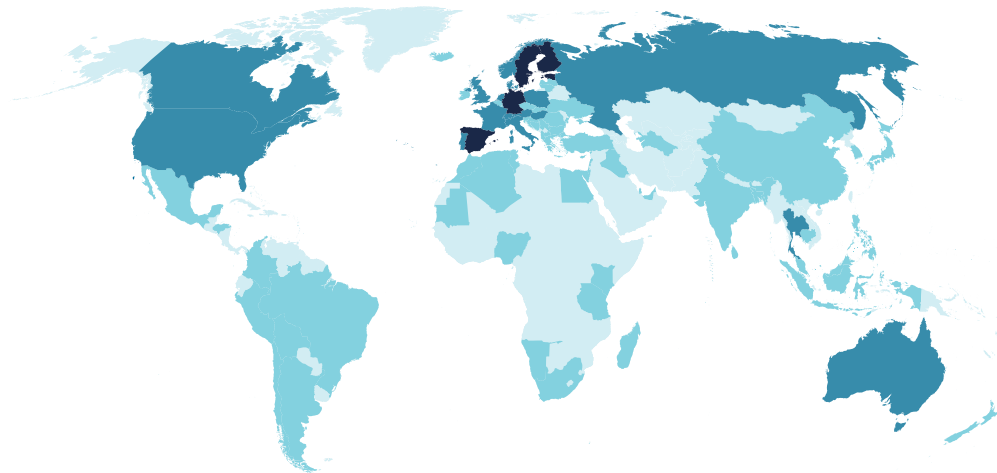
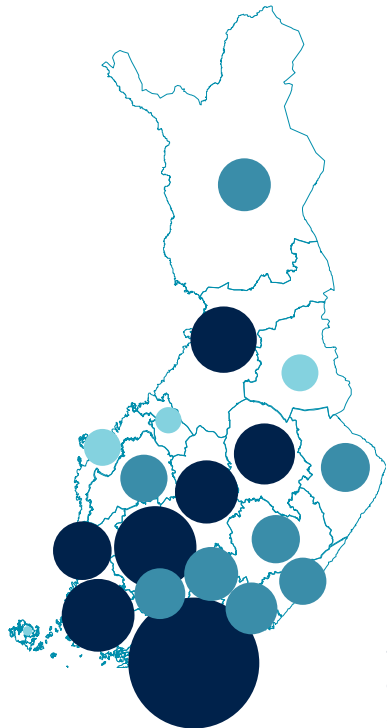
Pensions paid, EUR million

	2023	2022
Total	7,173	6,606
TyEL	6,744	6,189
YEL	429	417

Ilmarinen's customers retired on average at the age of 65.

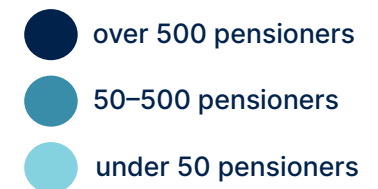
Ilmarinen's pensioners in Finland and other countries in 2023

	%
Helsinki-Uusimaa	25.3 %
Pirkanmaa	10.0 %
Southwest Finland	7.8 %
North Ostrobothnia	6.5 %
Central Finland	5.8 %
North Savo	5.3 %
Satakunta	4.9 %
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	2.0 %
Ostrobothnia	1.9 %
Central Ostrobothnia	1.0 %
Åland	0.1 %
No information	0.4 %



Karttojen lähde © Karttakeskus

Our pensioners live in 84 different countries and represent 104 different nationalities. After Finland, the highest number of people receiving pension from us, close to 5,000 people, live in Sweden. Then comes Estonia, with around 1,500 pensioners and Spain with around 600 pensioners. After Finns, the most common nationality is Swedes, at some 2,500, followed by Estonians, at around 2,200.



We help extend careers

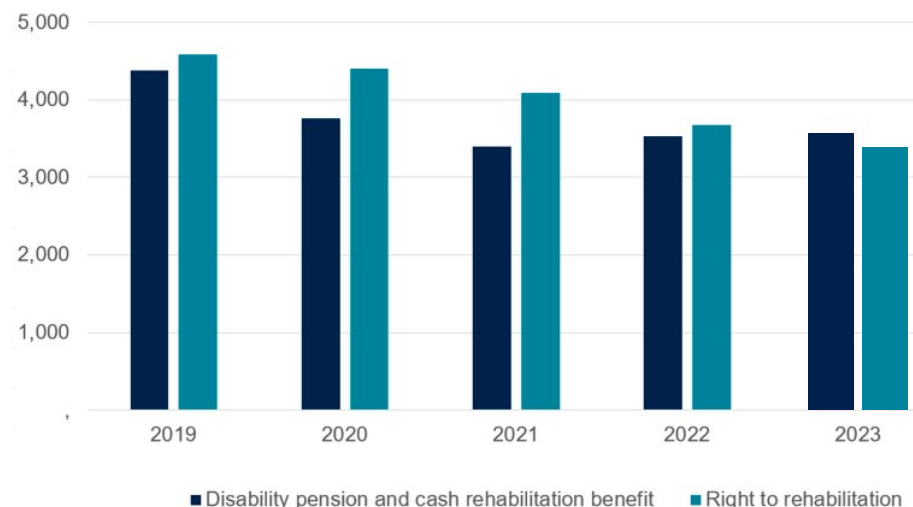
Reducing disability risk is part of a pension company's operations. That is why we help our customers anticipate and prevent disability and extend their employees' careers and our self-employed customers extend their own careers.

The number of disability applications received by Ilmarinen in 2023 grew three per cent from the previous year. Approximately 9,700 new disability pension decisions were made. According to the statistics of the Finnish Centre for Pensions (ETK), 38.7 per cent of the applications were rejected, which is roughly as much as in the previous year. This percentage only includes new applications. Approximately 3,560 people transitioned on a disability pension or a cash rehabilitation benefit. The reasons behind disability are strongly correlated with age. For those under 55, the most common reason was mental disorders and for those over 55, musculoskeletal diseases. When assessing work ability risks, continuity is key: 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 life-threatening lifestyle or an excessive workload reduce 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 us in a pension insurance company, this is a question of managing insurance risks.

In the case of large employers, the disability pensions granted to employees affect the company's contribution category and, through that, the amount of the earnings-related pension contribution. The more disability pensions the company has, the higher the company's contribution category and earnings-related contribution will be – and vice versa. In 2023, preparations were made for the reform of the contribution category model for disability pensions, which entered into force at the start of 2024. The change will start to show in

Rehabilitation and persons retired on disability pension



earnings-related pension contributions in stages, for the first time in 2025 and fully in 2029.

The change heightens the importance of proactive work ability management and timely, successful rehabilitation. It is increasingly important to look after employees and anticipate work ability risk early on. The new contribution category model makes it easier for elderly people to find employment and encourages employers to accept a person into a work trial or apprenticeship training. When an

employer hires a person over 55 in a new employment relationship, the employer will not be affected by contribution category impacts, even if the employee were to become disabled. If an employee hired through a work trial or apprenticeship training becomes disabled later, this has no impact on the employer's contribution category during the following five years. The impact of short-term employment relationships on the contribution category will also decrease.

Additionally, the delay between an employee falling ill and the contribution category impact will be shorter than it is today. An employee's cash rehabilitation benefit will affect the company's contribution category if it has lasted more than two years without active rehabilitation. Long cash rehabilitation benefits will affect the insurance contribution for the first time in 2028. Furthermore, the company's deductible on the disability pension contribution will decrease gradually in 2025–2028.

Room for improvement in work ability management

We surveyed the state of work ability management. It turned out that there are still quite a few companies in work ability management at a truly strategic level. The greatest improvement is in planning, measuring and monitoring. According to its own estimate, clear and measurable goals for work ability management have been set by only 41 per cent of 311 respondent companies. A third has a written plan to follow.

The data were revealed in Ilmarinen's State of Work Capacity Management 2023 study. It

therefore asked more than 300 business decision-makers how to manage the working capacity of their employees in their company: what works and where to develop.

Vocational rehabilitation supports returning to work

Under earnings-related pension legislation, employees and entrepreneurs are entitled to vocational rehabilitation. An employee or entrepreneur can receive vocational 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 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, a work trial, job coaching or retraining for a new profession. If an employee has applied for a disability pension from us, we will always first look into whether vocational rehabilitation could help them. The rehabilitee's own will is a decisive factor in the rehabilitation process.

The objective of vocational

rehabilitation is to improve the conditions for returning to work or continuing at work. We provide our client companies' HR specialists and supervisors with advice on vocational rehabilitation and offer specialist support. Effective rehabilitation linked with work extends careers and creates an opportunity for a good working life. Successful rehabilitation has a financial impact: when the rehabilitee is able to continue working, they earn a larger pension for themselves. From the earnings-related pension system's point of view, premiums written grow and pension expenditure decreases. Society benefits from the extension of careers.

Encouraging results from a pilot charting vocational rehabilitation needs

With Kela, we piloted collaboration where the vocational rehabilitation services required by customers are charted at an earlier stage 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 their earnings-related pensions and vocational rehabilitation. We continued the follow-up of the pilot launched in 2021 until the end of May 2023.

Kela submitted the medical statements of a total of 19 customers to Ilmarinen. With the customers' consent, Kela and Ilmarinen were able to exchange data concerning them. We encouraged a total of 10 people to seek out vocational rehabilitation.

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, rehabilitation could be initiated sooner in cases where the customer is entitled to it.

After the follow-up, six persons continued workplace rehabilitation or training, two persons completed the rehabilitation measure successfully and one person is receiving a partial cash rehabilitation benefit. No one retired on a permanent disability pension.

Effectiveness of rehabilitation

	2023	2022
Effectiveness of rehabilitation	79.5	79.8
a) coming from working life	82.3	81.4
b) coming from fixed term pension	68.8	73.3
Usefulness of services and their impact on employees' work ability (customers' assessment 0–5)	4.3	4.3

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

Rehabilitation decisions

	2023	2022
Right to rehabilitation application processing time, days	14	14
Number of new rehabilitation decisions	3,351	3,676
Rehabilitation decisions in total during the year	5,808	6,784

Effectiveness of work ability projects

	2023	2022
Perceived customer benefit (scale 1–5)	4.6	4.6
NPS, Ilmarinen's own services	90	91

Uninterrupted income

	2023	2022
Old-age pension and disability pension processing time in relation to other pension insurance companies		
Old-age pensions (difference compared to other employment pension insurance companies), days	0	0
Preliminary rehabilitation decisions, difference compared to other employment pension insurance companies	-4	-2
Disability pensions (difference compared to other employment pension insurance companies), days	-1	-8
Old-age pension processing time, days (year average)	5	4
Processing time of preliminary rehabilitation decisions, days (average for the year)	14	14
Disability pension application processing time, days (year average)	41	34

	2023	2022
Disability pension decisions upheld by the appeals court and difference to competitors		
Proportion of negative decisions	38.7 %	38.4 %
Proportion of decisions amended by the appeals court	10.3 %	10.2 %
Difference to competitors	0	1.2

Projects related to work ability risk management

	2023	2022
Work ability training	40	39
Separate courses and well-being at work projects	1,706	1,482
Employees covered by well-being at work projects	124,570	127,661
Persons participating in work ability training	3,011	2,058

We promote a responsible and diverse working life

According to our strategy, one of our goals is to be one of the best workplaces in Finland. We focus on the multiple aspects of a good employee experience and, as part of it, aim to continuously build our expertise. The employee experience was monitored through Työvire surveys six times during the year. The employee Net Promoter Score (eNPS) was at its highest in the April and August surveys, at 44. The eNPS can range from -100 to 100. In 2023, the average of all measurements was 42, which means that the eNPS remained on a good level.

In an effort to ensure that Ilmarinen has the strategically most important capabilities, we have integrated competence management as an important part of the annual operations planning process. The most concrete example of this is the personal growth story prepared for each Ilmarinen employee every year.

Competence is developed based on the employees' wishes and applying the 70–20–10

model, where on-the-job learning accounts for 70 per cent, social learning (such as peer learning, mentoring, coaching) for 20 per cent and training for 10 per cent. Formal competence sharing takes place in Ilmarinen's competence sharing platform Osaamistori, where Ilmarinen employees can offer short group coaching sessions to their colleagues. Hundreds of coaching sessions have already been organised through Osaamistori to share competence among colleagues. A new M365 mentoring concept was introduced, within which volunteers assist their colleagues in the use of key information systems and applications. Leadership forums on different themes are organised throughout the year to support leadership.

Besides strengthening competence in different subject matters, coaching organised at Ilmarinen in 2023 covered working life skills, including, among other things, cognitive ergonomics, managing personal competence,

This is how we measure the satisfaction of our customers and employees

NPS and eNPS

We measure the customer experience and employee experience using indicators called NPS and eNPS. The abbreviations stand for Net Promoter Score and employee Net Promoter Score.

The NPS and eNPS can be 100 at their best and -100 at their worst. The NPS given by customers is often higher than the eNPS. An eNPS of 20 is usually considered a good level.

Työvire survey

We monitor employee experience by conducting Työvire surveys. They measure how our personnel experience different aspects, such as coping, occupational safety, management and competence development, on a scale of 1–5. We conduct the Työvire survey every two months. The survey is also available to our customers. We monitor the various aspects of competence development in our personnel surveys.

work community skills, leading without a supervisor's mandate, performance management and diversity, equality and inclusion. Continuous improvement (Ilmarinen Way), process know-how, information management and digital capabilities have also been focal areas for several years.

We also conduct Työvire surveys to gain insight into how employees perceive their level of competence. In 2023, Ilmarinen employees scored the claims concerning competence on average as follows (on a scale of 1–5):

- “I actively develop the competence required in my work” 4.2
- “I am encouraged to develop in my work” 4.2
- “We actively share information and our competence in the work community” 4.1.

The claims concerning competence level and competence development included in the broader employee survey conducted in October also received good scores:

- “My immediate supervisor is interested in developing my competence”: 4.2
- “My competence is sufficient to meet the demands of my duties”: 4.4”.

If there is a need to reduce personnel, we always agree on career coaching options as part of the change negotiations.

A strong emphasis on diversity

We see diversity as a strength and we continuously work to increase it in our work community. The diversity group of the sustainability network participates in development planning and promotes equality and non-discrimination in our work community.

In the spring of 2023, we organised a diversity panel that was open to all employees. The panelists shared their personal experiences as representatives of minorities in the work community. The participants included members of Ilmarinen personnel and an external expert by experience.

In the autumn, we continued to promote diversity, equality and inclusion by organising extensive coaching. A dedicated training programme was provided to the Executive Group. In addition to a two-part coaching series targeted at all supervisors, we also offered a coaching package intended for the entire personnel.



Jani Verho, Eeva Ketvel, Gerald Esono Esono and Dakota Robin shared their experiences as representatives of minorities at the workplace. The diversity panel was hosted by Eveliina Leino. Photo: Eija Kärenaho

We are a A feel-good workplace

For the second time in a row, we received the 'A feel-good workplace' label (Hyvän mielen työpaikka®) in recognition of our commitment to strengthening the mental health of employees. The label is granted on application by MIELI Finnish Mental Health Association. The sign says that the company wants to become more like-minded. The aim is to increase ways to strengthen policies and structures that support mental health and to correct grievances.

In the decision, the jury cited the emphasis on diversity, equality, all-inclusiveness as exemplary and gratifying advances for our part. In addition, the mental well-being walks arranged by the occupational psychologist and the exerciser and the launch of the Mind Well-Being network were praised. The sparri discussions of occupational health care that support the everyday life of Ilmarinen employees were also mentioned in the panel's decision as a factor that strongly promotes mental health and a mind-friendly working life. The age management pilot, which will continue until the end of April 2024, is also one way to promote a mind-friendly working life in different life situations.

In 2023, one case of suspected discrimination was reported. It turned out to be unfounded. A channel for reporting discrimination cases will be rolled out in february 2024.

Customers were also provided with assistance in promoting diversity and inclusion, as this is an important issue when it comes to extending careers. We hosted a webinar on accessibility, giving our customers tips on how to make their premises accessible and how they should take accessibility into consideration during the recruitment process. This contributes to extending careers: an existing employee in the midst of their career might find themselves in a situation where they need assistive devices to move. It is also important to facilitate entry into working life so that a person with demand-specific work ability can apply for and get a job at the company.

In our October 2023 Työvire survey, we asked our employees about their experience of equal treatment. The claim "All employees are treated equally, regardless of age, ethnic background, gender, physical capabilities etc." was given an average score of

4.2, which was slightly lower than a year before, but still at an excellent level (maximum 5). We will conduct a broader equality and non-discrimination survey next time in the spring of 2024.

There are several indicators for measuring gender equality. One way to measure the implementation of equality is to look 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. The share of women in these demanding roles is proportionate to the share of women in the entire personnel.

At Ilmarinen, the pay gap between genders primarily comes from the uneven gender distribution in the different functions. Salaries in male-dominated sales, investment and IT activities, for example, are generally higher than in many other activities.

We examine the equality of pay between genders also within the different demand categories. Pay within the same demand category can vary based on, for example, education and training, performance and work experience. The pay comparison within

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

	2023	2022
	81.2 %	83 %

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

	2023	2022
	79.6 %	82 %

Award-winning childcare centre

Ilmarinen's childcare centre came second in Oikotie's Sustainable Deed of the Year campaign. Ilmarinen employees' children can come to the childcare centre for the duration of their parents' workday when the children are already on holiday and the parents are still working. The childcare centre is primarily for kids in preschool and elementary school for whom it can be hard to arrange suitable care. This helpful service for employees was again available in June 2023.

"The month of June can be a difficult time to arrange childcare or company for children for the duration of the workday, if suitable camps or social networks are unavailable. If the parents take their holidays at different times, the family has little time together, and especially families with just one parent might find this service to be a real lifesaver during the school holidays," says Sami Ärilä, Head of HR at Ilmarinen.

demand categories revealed that women's pay in relation to men's pay ranged from 90 per cent to 107 per cent. The average was 98 percentage points and the median was 96 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.



The childcare centre offers temporary help for childcare problems in summer. Photo: Fanni Toimela

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 regularly. The occupational health services for temporary agency workers are arranged by their actual employer. In 2023, Ilmarinen employed agency workers in phone sales (7 people) to complement its own personnel and, as required, in Ilmarinen's banquet facilities when organising personnel events (a few people as required).

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 Työvire survey. Two different occupational safety claims were used in the surveys in 2023: Until August, the claim was "My working environment is safe and risk free". It was rated an average of 4.7. As of the end of the year, the claim was changed to: "My job

does not put my health or safety at risk". It was rated an average of 4.4 (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. We actively measure our personnel's work ability. Through the occupational health services, we offer our personnel extensive preventive services and services related to the treatment of illnesses. The occupational health service offering is actively adjusted to support employees' work ability as early as possible and with a maximum impact. As of the start of 2023, we incorporated the low-threshold mental well-being services that we piloted in 2022 into our occupational health service offering. The low but regular use of the service has shown that the service is necessary and useful. According to the occupational health service partner, the introduction of the service has also reduced the need for brief psychotherapy. The mental well-being mentor network, which is open to all Ilmarinen employees, participates in planning ways and material for supporting mental



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. This year, our team of 90 cyclists pedalled more than 55,000 kilometres. We saved more than 3,900 litres of fuel and more than 9,700 kilograms of carbon dioxide emissions. We continued pedalling in 2024 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. In Chain Reaction, one euro is donated for every 25 kilometres pedalled by personnel to preparing for and adapting to climate change impacts. The topic is essential for Ilmarinen, as it pertains to the secure investment of pension assets.

Cycling also helps Ilmarinen employees keep fit and maintain good work ability. We encourage our personnel to cycle by, among other things, providing good staff facilities, arranging bicycle maintenance at the workplace and giving personnel the opportunity to acquire an e-bike as a company bicycle and to charge the e-bike's batteries safely during the workday.

Responsible summer jobs for dozens of summer trainees

In 2023, Ilmarinen employed 35 summer trainees. They rated their summer job experience at Ilmarinen overall at 4.58, which is better compared to other peer groups (other groups 4.49, scale 1–5). Our summer trainees especially appreciated being trusted and given responsibility and varied tasks – themes that we need to support also in the future.

We have long been part of the Responsible Summer Job campaign. It challenges employers to offer more high-quality summer jobs to young people. In Oikotie's survey, we placed 16th in the large company category, which included 46 organisations. We improved our position by 11 places from the previous year. In the survey, summer trainees evaluate the applicant experience, the meaningfulness of the tasks, orientation and guidance, fairness and equality, the written employment contract and overall satisfaction.



well-being at Ilmarinen. The network also supports supervisors in promoting the theme.

The OHS Committee, made up of representatives of the employer and personnel, meets 6–7 times a year. It promotes interaction between the employer and employees and enables the participation of employees in matters related to the health and safety of the workplace. It also monitors matters related to employees' health and safety and suggests measures to improve these matters. The OHS Committee reviews the occupational health service action plan and monitors its implementation. Employees and supervisors participate in planning and developing occupational health collaboration in joint workshops.

Safety issues are included in the orientation of new Ilmarinen employees. Personnel's first aid capabilities are maintained through regular training. The OHS Committee's new members complete OHS training.

New employees have a health examination when joining Ilmarinen. After that, the health examination is repeated regularly. We support our employees' physical fitness by providing versa-

tile sports facilities and guided exercise classes and organising 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 for their employees, statutory accident insurance and liability insurance required by the client. The obligations also require that employees be offered a safe work environment. This was extended to also cover service providers and suppliers when introducing our sustainability requirements for suppliers in 2023. They were approved by Ilmarinen's Executive Group as part of the procurement and outsourcing guidelines.

In 2023, Ilmarinen employees experienced two occupational accidents during working hours and one accident during a commute.

Key figures related to personnel

	2023	2022
Average retirement age	64.3	65.0
Employees average age	47.5	47.0
Average career length in Ilmarinen, years	13.6	13.3
Ilmarinen's employees' health	48.0	43.4

New employee hires and employee turnover

	2023	2022
Number of employment relationships at the end of the reporting period	620	626
New employment relationships	56	65
Ended employment relationships	65	73
Turnover of permanent employees, %	7.8	8.8
New employment relationships/permanent	35	42
Ended employment relationships/permanent	46	52
Number of summer employees	35	35

The figures do not include employment relationships that ended as a result of the change negotiations (4 persons in 2023) and summer employees.

Personnel covered by collective bargaining agreements

	2023	2022
Personnel covered by collective bargaining agreements, %	93%	92%
Personnel covered by collective bargaining agreements, pcs	574	577

Employee experience

	2023	2022
Employee experience: Ilmarinen's eNPS	42	42
Work energy ('Työvire') (0-5)	4.2	4.2

Average training hours per year per person

	2023	2022
Average training hours, entire personnel	36	25
Average training hours, women	38	27
Average training hours, men	34	21
Average training hours, Executive Group	76	31
Average training hours, middle management	55	46
Average training hours, group supervisors	59	37
Average training hours, salaried employees and specialists	33	22

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

Parental leave

	On parental leave in 2023	Returned to work during 2023
Sex		
Man	19	18
Woman	16	8
Total	35	26

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

	2023	2023%	2022	2022%
Permanent employment contracts, total	588	95%	588	94%
Permanent employment contracts, women	366	62%	357	61%
Permanent employment contracts, men	222	38%	231	39%
Permanent full-time employment contracts, total	542	92%	546	93%
Permanent full-time employment contracts, women	332	61%	330	60%
Permanent full-time employment contracts, men	210	39%	216	40%
Permanent part-time employment contracts, total	46	8%	42	7%
Permanent part-time employment contracts, women	34	74%	27	64%
Permanent part-time employment contracts, men	12	26%	15	36%
Fixed-term employment contracts, total	32	5%	38	6%
Fixed-term employment contracts, women	20	63%	24	63%
Fixed-term employment contracts, men	12	38%	14	37%

Percentage of staff involved in regular performance assessments and development discussions

	2023	2023%	2022	2022%
Entire personnel	620		626	
Participation in development discussions, entire personnel	474	76%	481	77%
Entire personnel, women	386		381	
Entire personnel, men	234		245	
Participation in development discussions, women	304	79%	295	77%
Participation in development discussions, men	170	73%	186	76%
Salaried employees and specialists, total	551		554	
Salaried employees and specialists, women	344		336	
Salaried employees and specialists, men	207		218	
Participation in development discussions, salaried employees and specialists, total	428	78%	430	78%
Participation in development discussions, salaried employees and specialists, women	274	80%	262	78%
Participation in development discussions, salaried employees and specialists, men	154	74%	168	77%
Group supervisors, total	23		23	
Group supervisors, women	15		16	
Group supervisors, men	8		7	
Participation in development discussions, group supervisors, total	16	70%	20	87%
Participation in development discussions, group supervisors, women	10	67%	13	81%
Participation in development discussions, group supervisors, men	6	75%	7	100%
Middle management, total	36		40	
Middle management, women	22		25	
Middle management, men	14		15	
Participation in development discussions, middle management, total	22	61%	24	60%
Participation in development discussions, middle management, women	16	73%	17	68%
Participation in development discussions, middle management, men	6	43%	7	47%
Executive Group, total	10		9	
Executive Group, women	5		4	
Executive Group, men	5		5	
Participation in development discussions, Executive Group, total	8	80%	7	78%
Participation in development discussions, Executive Group, women	4	80%	3	75%
Participation in development discussions, Executive Group, men	4	80%	4	80%

Kehityskeskusteluun osallistuneen henkilöstön osuus (ikäjakauma)

	2023	2023%	2022	2022%
Personel, share of people under 30 years of age, %	50		53	
Personel, share of people under 30–50 years of age, %	294		299	
Personel, share of people over 50 years of age, %	276		274	
Participation in development discussions, personel, share of people under 30 years of age, %	17	34%	21	40%
Participation in development discussions, personel, share of people under 30–50 years of age, %	230	78%	229	77%
Participation in development discussions, personel, share of people over 50 years of age, %	227	82%	231	84%

76% of the total personnel (31 December 2023, 620 employees) had a performance assessments and development discussion in 2023. As a rule, development discussions take place at the beginning of the year, so there have been no discussions with everyone who started the year after the discussion round in 2023. The data is based on HR and salary system data.

Employees and governace bodies by age

	2023	2023%	2022	2022%
Employees				
Under 30	50	8%	53	8%
30-50	294	47%	299	48%
Over 50	276	45%	274	44%
Board of Directors				
Under 30	0	0%	0	0%
30-50	4	33%	3	25%
Over 50	8	67%	9	75%
Supervisory Board				
Under 30	0	0%	0	0%
30-50	6	21%	6	20%
Over 50	22	79%	24	80%

Employees and governance bodies by gender

	2023	2023%	2022	2022%
Entire personel	620		626	
women	386	62%	381	61%
men	234	38%	245	39%
Salaried employees and specialists	551		554	
women	344	62%	336	61%
men	207	38%	218	39%
Group supervisors	23		23	
women	15	65%	16	70%
men	8	35%	7	30%
Middle management	36		40	
women	22	61%	25	62.5%
men	14	39%	15	37.5%
Executive Group	10		9	
women	5	50%	4	44%
men	5	50%	5	56%
Board of Directors	12		12	
women	2	17%	2	17%
men	10	83%	10	83%
Supervisory Board	28		30	
women	12	43%	13	43%
men	16	57%	17	57%



Good governance (G)

We manage our basic task cost-effectively

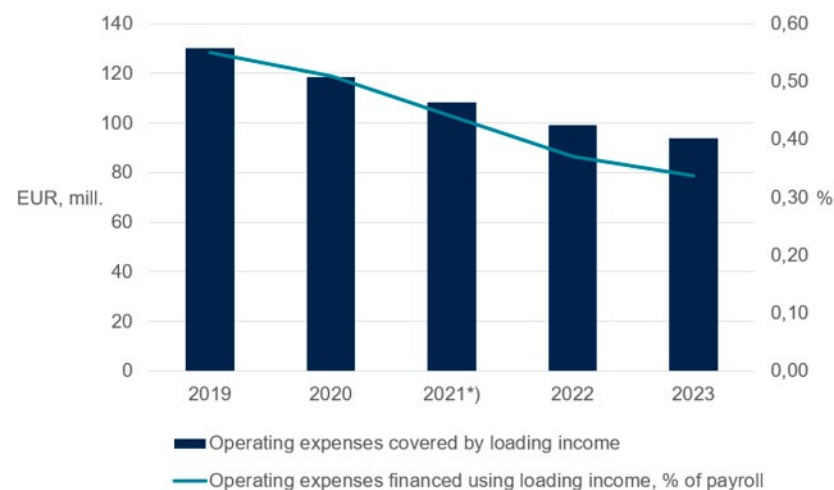
Following good governance practices is a key requirement for implementing social and environmental responsibility. We are transparent and reliable in our own governance. As one of the leading earnings-related pension companies, Ilmarinen has a major impact on the development and sustainability of the earnings-related pension system and pension security. Our goal is to participate in developing the pension system and its implementation responsibly and to take into consideration its sustainability in the long term.

From the perspective of responsibility, cost-effective operations and chain value management are of crucial importance, and cost-effectiveness is a key indicator of our operations. In 2022, we became the most cost-effective company in the industry. Our efficiency has improved further as our premiums

written have grown and our operating expenses have decreased: In 2023, Ilmarinen's total operating expenses were EUR 145.6 million. Of this, the operating expenses financed using loading income accounted for EUR 93.9, which is 5 per cent less than in the previous year. At the same time, premiums written grew 4 per cent.

The earnings-related pension contribution includes an administrative cost component, which is used to cover expenses arising from operations, excluding the investment of pension assets, costs related to the management of disability risk and statutory charges. At the start of 2023, the common criteria for determining the expense loading in TyEL insurance were replaced by company-specific criteria: earnings-related pension companies determine in advance the TyEL insurance contribution's adminis-

Total operating expenses, operating expenses financed using loading income and operating expenses using loading income of payroll 2019–2023 *) **) **)



	2023	2022	2021	2020	2019
Total operating expenses, EUR mill.	146	151	157	158	175
Operating expenses covered by loading income, EUR mill.	94	99	108	119	130
Operating expenses financed using loading income, % of payroll**)	0.34	0.37	0.44	0.51	0.55
Operating expenses financed using loading income per pensioners and insured, EUR	83	87	96	109	114

* Operating expenses and operating expenses financed using loading income are presented above without the one-time write-down of EUR 18.2 million for intangible assets made in the financial statements for 2021

** The payroll is the sum of TyEL payroll and YEL income

trative cost component that they require to manage their operations. Customers will thus benefit from the improved cost-effectiveness directly in their insurance contributions.

From the start of 2024, the administrative cost component in Ilmarinen's earnings-related insurance contribution will decrease by 20 per cent.

Loading income was EUR 104.5 million and the company's loading profit amounted to 10.6 million. The ratio of operating expenses to the payroll and YEL income, a measure of cost-effectiveness, improved to 0.34 per cent. Ilmarinen's TyEL insurance contribution's loading profit will be taken into account in lowering the administrative cost components of the contributions for the upcoming years.

Taxation of pension assets impacts society

The tax footprint describes the tax revenue collected on the company's operations for society. Our tax footprint consists of the taxes on our operations, insurance and investment activities, and indirectly, our investee companies.

Finland's pension system taxation is designed 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 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

Tax footprint of Ilmarinen

	2023	2022
Client bonuses, € million	123	175
Return of investments, € billion	3,3	-4.0
Premiums written, € billion	6,8	6.6
Pensions paid, € billion	7,2	6.6
Number of pensions exceeded premiums, € million	351	48
Employers and entrepreneurs		
Tyel payroll, € million	26,050	24,924
Yel income, € million	1,741	1,706
"Wages and Yel income", € million	27,791	26,630
Tyel premium income, € billion	4.5	4.3
Employees		
Tyel contribution, € billion	1.9	1.9
State and municipalities		
Income tax for employees, € billion	n. 8	n. 8
Taxes related to own activities, € million	27.0	25.4
Income tax on pensioners, € billion	1.7	1.6
Property tax and withholding tax, € million	18.0	18.2
Tax withheld payroll, € million	15.8	15.0
VAT related sourcing, € million	10.4	9.7
Employers social security contributions, € million	0.8	0.7
Real estate tax (Ilmarinen's office building), € million	0.7	0.7
Taxes related to Ilmarinen's own activities, total, € million	27.7	26.1

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 Report on operations and Financial statements](#) (pdf). 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.

Our [Responsible Investment Policy](#) (pdf) includes our Tax Policy. It 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 invest so as to avoid, where possible, double taxation which burdens the investment returns and is contrary to the principles of international taxation. We do not participate in aggressive tax planning or make investments through investment structures aimed at avoiding 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 also important in order for us to be able to 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. In practice, such investments are 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 Report on operations and Financial statements](#) (pdf).

Pension companies' operations are largely free of value-added tax. While we pay VAT on our acquisitions, we cannot deduct these paid taxes from the VAT we charge, unlike parties that engage in taxable operations.

We operate reliably and transparently

Data-driven management is an important part of implementing Ilmarinen's strategy. At Ilmarinen, we have long been ensuring the high quality, availability and usability of data for our customers. At the same time, we have developed data services and improved data management and our competence concerning the opportunities offered by data. In 2023, we launched a set of data projects aimed at reinforcing the utilisation of data and new technologies, including artificial intelligence, in our operations and for our customers. In February 2024, Ilmarinen's Board of Directors approved [the ethical principles of Ilmarinen's artificial intelligence](#) (pdf, in Finnish).

Processing our customers' data is what we do every day. If a person applies, for example, for a disability pension or vocational rehabilitation from us, we require information on the applicant's health. This information is confidential personal information. When entrepreneurs take out insurance for their employees, we

receive confidential information about companies. This information is covered by insurance secrecy.

Information security covers everything that has to do with data processing. The basic requirement is to keep data saved, available, usable and safe. 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. We continuously train our personnel to identify and control information security risks. In 2023, we improved the information security team's capability to detect information security incidents by expanding monitoring, assessing the information security incident process and testing observation.

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

Finland has a transparent and reliable pension system

The Finnish pension system is very good by international standards: it placed sixth in the Australian consulting firm Mercer's annual comparison. The Mercer CFA Institute Global Pension Index benchmarks pension systems in 47 countries from the perspectives of adequacy of pensions, sustainability of the system and integrity of the governance. Finland received the highest scores for the integrity and transparency of the pension system's governance for the tenth time in a row.

Our pension system differs from the ones in place in the other EU countries, for example, in that the implementation is decentralised to private companies, such as Ilmarinen. As a large pension company, we have contributed to Finland's top ranking.

similar incidents in the future. In 2023, 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 or erroneous contact information. Disruptions caused by information security did not affect the availability of services.

Code of Conduct

As managing pensions is part of statutory social security, doing what is right, complying with regulations and being open are key to our operations.

We prepare and publish on our website our [Corporate Governance Statement](#) (ilmarinen.fi) in accordance with the Corporate Governance Code for listed companies. We voluntarily comply with it when applicable to the operations of the earnings-related pension insurance company. It describes Ilmarinen's corporate governance structure and governing bodies and the criteria based on which their members

are elected.

Ilmarinen is a mutual employment pension insurance company whose shareholders are its policyholders and the insured employees. At the General Meeting, the shareholders exercise their decision-making power in the manner described in the Articles of Association. The Annual General Meeting elects the Supervisory Board, which in turn elects the Board of Directors and the Election Committee and supervises the corporate governance managed by the Board of Directors and President and CEO.

The Board of Directors directs and organises the administration of the company. The Board of Directors appoints the President and CEO, the Chief Operating Officer and the Executive Group members. The Board of Directors 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 annually elects a chair and two deputy chairs from among its members. They always come from outside the company, in other words Ilmarinen's President and CEO is not a member of the Board



“People say that artificial intelligence will take all the jobs and render people useless, but what if the opposite happens? AI is good news for a service society with an ageing population like Finland, where industry is already automated. AI helps employers tailor jobs to suit each employee.”

Senior Advisor Anssi Smedlund

of Directors and thus also does not chair the Board of Directors. The Board of Directors has two committees: the Nomination and Compensation Committee and the Audit and Risk Management Committee.

In the aforementioned statement, the attendance of the members of the Board of Directors and the Supervisory Board in meetings is stated. The report on Ilmarinen's remuneration and the [Remuneration in Ilmarinen-document](#) (ilmarinen.fi) concerning the remuneration paid to the members of Ilmarinen's institutions and management team are also available on our website.

Anti-corruption and anti-bribery

Ilmarinen's way of operating in compliance with regulations and in accordance with its values is described in our [Code of Conduct](#) published on our website (ilmarinen.fi). The Code of Conduct is approved by the President and CEO. The document outlines, 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, carries out acquisitions in a responsible way, follows good sales practice and operates

responsibly. The online Code of Conduct training, which provides guidance on good governance, is part of the introduction training for new employees. Of the employees that joined Ilmarinen in 2023, 94 per cent completed it. In addition, Ilmarinen's Board of Directors annually approves [the anti-bribery principles](#) (ilmarinen.fi).

In 2023, no corruption-related risk incidents were reported.

Internal control and risk management

Ilmarinen's internal control and risk management is based on the three lines of defence principle:

1. the first line consists of the business lines and their support functions
2. the second line consists of independent functions, risk management and the compliance function
3. the third line consists of internal audit.

Internal control encompasses all the ways of operating that contribute to ensuring that the company's strategy is implemented as planned and that operations are steered towards the set goals. It includes the procedures in place to ensure good man-

agement, the performance and development of operations, risk management, accurate reporting and regulatory compliance of operations.

First line of defence: the first line means the business lines and business support functions. The business has processes and supervision that have been created for operations to ensure that business-related risks are identified, analysed and assessed, as well as monitored, managed and reported to management. The first line's task is to ensure that business is conducted within the risk appetite set by Ilmarinen's management and in accordance with external and internal requirements.

Second line of defence: the second line consists of risk management functions that are independent of the business and the compliance function responsible for ensuring and supervising compliance. The risk management functions of the second line contribute to ensuring the management of operational and compliance risks, as well as insurance, investment and solvency risks. The risk management functions are responsible for identifying, analysing, measuring,

managing, monitoring and reporting on the risks. Their task is to build a holistic picture of all risks associated with the operations. The risk management functions challenge and assist the first line in the implementation of risk management measures in the different business areas to ensure that the first-line processes and supervision are appropriately arranged and effective.

- **The compliance function** supervises compliance with statutory requirements and internal guidelines in its area of responsibility, and provides support and advice related to compliance with regulations and internal guidelines to the supervised entity's management and other personnel. Compliance activities are based on the operating principle approved by the Board of Directors. Each year, the compliance function prepares a risk-based compliance action plan, including an audit plan, which the Board of Directors approves. The compliance function is an independent function that is administratively subordinate to the EVP, General Counsel and which reports on its activities directly to the Board of Directors, the Board of Directors' Audit and Risk Management

Committee and the President and CEO. The annual compliance risk assessment covers all of Ilmarinen's business lines and key support functions. The compliance risk assessment that covers the business lines and key support functions did not reveal any corruption-related misconduct in 2023.

- **Operational risk management** relates to Ilmarinen's internal processes, personnel, different systems and external events concerning Ilmarinen. Operational risk management aims to ensure that services and processes are as free from disruptions as possible in all circumstances and to reduce the harmful impacts of unexpected disruptions. In addition, operational risk management aims to shine a light on problem areas in the operations before they cause critical harm, and to improve the procedures used in the internal control of Ilmarinen's business lines and support functions.

- **Investment risk management** is responsible for ensuring that risk-taking does not exceed the risk appetite defined by the Board of Directors or Ilmarinen's risk-bearing capacity and that investment activities also remain

within the other limits determined by the Board of Directors. The function uses stress and scenario calculations to identify the most important threats for the company's solvency position. If required, the risk management function makes a proposal concerning a review of the current basic allocation or a change in investment authorisations. The function, which is independent of investment activities, is also continuously responsible for valuing investments, monitoring absolute and relative returns and calculating the solvency limit determined by authorities.

- **Insurance risk management** is related to the adequacy of the insurance contributions and technical provisions in relation to the expected future pension expenditure. The calculation of insurance contributions and technical provisions is determined by the company's calculation principles, which are confirmed by the Ministry of Social Affairs and Health (STM) annually. The aim of insurance risk management is to ensure that the calculation principles are appropriate and, more specifically, that the technical provisions are calculated

securely. Ensuring the security of the calculation principles is the responsibility of the company's chief actuary.

Third line of defence: Included in the third line, internal audit is an independent and objective evaluation, assurance and consulting activity designed to assess the appropriateness and effectiveness of risk management, internal control, and management and governance procedures. Internal audit's activities are based on the operating principle approved by the Board of Directors. Each year, internal audit prepares an audit plan, which the Board of Directors approves. Internal audit is an independent function that is administratively subordinate to the President and CEO and which reports on its activities directly to the Board of Directors, the Board of Directors' Audit and Risk Management Committee and the President and CEO.

Each of our employees is responsible for complying with regulations that are binding on Ilmarinen, regulatory guidelines and good governance principles. If concerns arise, they must be addressed. Ilmarinen employees and our stakeholders have ac-

cess to a whistleblowing channel for reporting suspected violations of regulations applicable to Ilmarinen and our internal guidelines. Reports can also be made anonymously. Instructions on how to report concerns through the whistleblowing channel can be found on Ilmarinen's intranet and website. In 2023, two reports of suspected misconduct were made through the channel. Based on the investigation carried out by the whistleblowing team, one of them was unfounded and the other concerned a matter that the channel is not meant for.

Ilmarinen was not subject to any fines or other non-monetary sanctions related to failure to comply with legislation or regulations in 2023.

Ilmarinen monitors any suspicions of corruption and bribery-related violations in its investments in the same way it monitors human rights and other norm violations. Our primary strategy is to engage with companies to change their operations. The last resort is to exit from ownership in a company.

Guidelines concerning related parties, insiders and the management of conflicts of interest

We provide Ilmarinen employees with guidelines on related party transactions. More information is available on [our website](https://www.ilmarinen.fi) (ilmarinen.fi). We deal with any transactions with our related parties in accordance with the internal guidelines approved by Ilmarinen's Board of Directors. We also monitor conflict-of-interest situations in decision-making in accordance with our internal principles.

We operate with care also when it comes to insider matters. Ilmarinen has prepared principles for the processing of inside information. The principles aim to reinforce the trust placed in Ilmarinen by securities market participants and to ensure that insider regulations are not breached. Ilmarinen maintains a public insider register, which contains information on the persons who can influence pension asset investment decisions or who otherwise have regular access to inside information related to them. The information contained

in the public insider register is available on Euroclear Finland's NetSire service. In addition, Ilmarinen maintains non-public project-specific insider lists.

Ilmarinen's Board of Directors confirms, at least annually, all of the company's internal principle-level guidelines, including the related party principles, insider principles and principles for the management of conflicts of interest.

Clear processes in risk management

Risk management is an essential part of Ilmarinen'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 especially the materialisation of risks that Ilmarinen has no risk appetite for, 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 with the help of 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.

Ilmarinen's risk management functions, including monitoring of investment risks and reporting to the Board of Directors, are the responsibility of the Chief Financial Officer and Head of Risk Management 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 also 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.

Ilmarinen's 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.

In 2023, Ilmarinen's continuity management was largely focused on preparing for cyber and hybrid threats. This topic was present in the continuity exercises and tests organised at Ilmarinen during the year. In addition, we

actively participated in the earnings-related pension sector's joint preparedness exercises. Our risk management is described in more detail in the notes to [the Report on Operations and Financial](#) (pdf) statements.

We develop our operations based on feedback from stakeholders

We regularly meet with representatives of our stakeholders and develop our operations based on feedback received from stakeholders. We conduct a stakeholder survey roughly every three years, most recently in 2022. All of our most significant stakeholders responded to the survey: representatives of customers, tenants, investees, non-governmental organisations, Ilmarinen's governance, authorities, the financial sector, labour market organisations, media, universities and scientific bodies, members of Parliament, the public at large, as well as Ilmarinen's personnel and their related parties.

We communicate with our stakeholders in associations and other co-operation organisations. In addition, some of our employ-

Ilmarinen's donations in 2023

Target	Amount
Yeesei – Youth Mental Health Association	EUR 15,000
Vates Foundation – supporting the employment of people with disabilities and with partial work ability	EUR 15,000
Christmas fundraising campaign: Hope ry – supporting families in need and children taken into custody	EUR 15,000
Red Cross Finland's Chain Reaction fundraising campaign	EUR 2,724
Total	EUR 47,724

More information about our [Sponsorship and donation principles](#) (ilmarinen.fi).

ees participate in the activities of trade associations closely linked to their work.

Examples of key memberships in terms of sustainability are the Climate Leadership Coalition (CLC), 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 Rakli, the real estate sector co-operation organisation representing Finnish property owners and construction clients, 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.

Of representative organisations, we are a member of the Finnish Pension Alliance Tela, which represents pension providers, and Finance Finland. Of 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

Ilmarinen's value chain

A value chain encompasses the activities, resources and relationships the undertaking uses and relies on to create its products or services from conception to delivery, consumption and end-of-life. This is how the European Financial Reporting Advisory Group (EFRAG), which promotes the EU's sustainability reporting standards, defines a value chain.

Ilmarinen defines its value chain as follows:

Business relationship types

- Ilmarinen's own personnel
- Customers: entrepreneurs (insured), management of employer companies, employees of client companies (insured), pension recipients
- Procurement contracts: ICT as the most significant
- Investment-related agreements: investment service providers, other investors, investees; construction contracts

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

Geographical location of suppliers

- Operating expenses: Finnish 82.9%, foreign 17.1%
- Real estate expenses: Finnish 99.6%, foreign 0.4%

club VUFI.

Each year, we donate money for research and purposes of general interest up to a maximum amount decided by the General Meeting. The Compliance Officer always verifies that our donations are in line with our principles. The donations are always decided by the President and CEO. We report on them annually to the Board of Directors. Donations are always gratuitous and, as specified in Ilmarinen's donation principles, 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. We do not support the campaigns of election candidates or political parties.

We manage our 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 responsi-

ble ways of operating.

We started work on our own operations' value chain with sourcing. In early 2023, we published our Supplier Code of Conduct as part of our procurement and outsourcing guidelines. 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.

If a supplier detects, in its subcontractor network, a breach of responsibility requirements or suspects a breach related to products or services to be delivered to Ilmarinen, they must notify Ilmarinen without delay. On request, the supplier must provide Ilmarinen with information on the company's responsibility measures, including the environmental and human rights aspects that are material to the company, targets, implementation and monitoring mechanisms.

Ilmarinen can also, either by itself or through a third party, carry out audits to establish whether the responsibility requirements are met. The aim is to carry out possible audits jointly, with the supplier assisting Ilmarinen in the

audit by, for example, allowing the audits to be performed at their location. If Ilmarinen detects that a supplier has breached the responsibility requirements, the supplier can be excluded from future competitive tendering processes until the breaches are proven and documented to have been rectified.

The development of supply chains also involves assessing human rights impacts, which we started preparing for in 2023.

We base our sourcing on the assessment of needs and apply market conditions that are

compatible with fair practice. To ensure cost-effectiveness, we put our sourcing contracts out to tender as specified in our sourcing guidelines.

We engage with the sustainability performance of our investees

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

Ilmarinen's sourcing

	2023	2022
Number of suppliers, operating expenses	718	696
Number of suppliers, real estate costs	927	957
Number of domestic suppliers, operating expenses	595	590
Number of domestic suppliers, real estate costs	923	951
Number of foreign suppliers, operating expenses	123	106
Number of foreign suppliers, real estate costs	4	6
Total purchases, operating expenses, EUR million	101	103
Total purchases, real estate costs, EUR million	186	150

outlined in our [Ownership Policy](#) (ilmarinen.fi). Through active ownership, we take especially into account issues related to companies' good governance. We focus on direct engagement, Finnish ownership and 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 responsible for active ownership. We regularly ask them about the implementation of active ownership, either in writing or at meetings. The managers of indirect equity funds also annually report to us on their voting behaviour.

We engage with investees at General Meetings

As a rule, we participate in the General Meetings of all the Finnish listed companies we have invested in. We report on our participation in the General Meetings of listed companies and the votes cast annually on our [website](#) (ilmarinen.fi, in Finnish).

If any of the motions on the General Meeting's agenda 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 2023, our contacts with companies were mainly related to remuneration reports and policies, the Board of Directors' composition and remuneration, auditors' fees and option programmes. The contacts numbered 47.

Since the spring of 2021, we have paid special attention to remuneration reports and, in the course of several years, discussed our expectations with a number of companies, aiming to actively impact the practices related to remuneration reporting to increase transparency. We expect the companies to report on the performance indicators for variable remuneration and their weights. In 2023, we did not endorse the remuneration reports of 17 companies due to lacking transparency. In three cases, our voting position was also impacted by remuneration practices in breach of our policies.

As a rule, rather than discussing our voting policies publicly, we only discuss them directly with the companies, but in the

spring of 2023, we spoke at a General Meeting against an agenda item related to the remuneration report. This led to a vote at the General Meeting and eventually to the rejection of the remuneration report. The resolution of the General Meeting is advisory.

We also participated in the General Meetings of our most significant foreign investees. At foreign General Meetings, we use a service provider's voting service and voting policy that considers sustainability aspects. In 2023, we voted at 159 foreign General Meetings. The service provider's voting policy takes sustainability issues into account.

Our Board of Directors approves any and 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.

As an owner, we also partici-

pate in the nomination processes of the Board members of many Finnish listed companies. In these processes, we promote the professional and responsible management and governance of 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. Sustainability will gain in importance with companies preparing for the Corporate Sustainability Reporting Directive. In 2023, we participated in 34 Nomination Committees. We publish the Nomination Committee memberships [on our website](#) (ilmarinen.fi, in Finnish).

We engage together with other investors

We carry out engagement work directly by ourselves, as part of investor co-operation initiatives and through a service provider. Engagement may be related to a norm violation risk or be proactive. In Nordic Engagement

Cooperation (NEC), we engage with investees together with other Nordic pension companies through a service provider. In 2023, we focussed, in line with NEC's strategy, on human rights issues especially in the mining sector and related value chains. The engagement theme related to the sustainable use of water was completed with good results. The objective of the engagement co-operation 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). We engage with many sectors and international companies 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. In 2023, besides the Nature Action 100 initiative, we joined the PRI Advance initiative, where institutional investors work together on human rights and social issues.

Our service provider carries

out engagement work in many themes, and the engagement processes are backed by a large number of investors. In 2023, the engagement processes related to norm violation risks for our investment portfolio mostly concerned human rights, labour rights and business ethics, such as corruption. Moreover, the service provider carries out proactive engagement work under several themes.

In addition to engagement processes, we actively discuss any detected problems or our sustainability expectations with our investees. We also participate in companies' materiality analyses and comment on their sustainability strategies.

In 2023, we contacted external asset managers, in particular to obtain better data on climate issues, and in general to obtain better sustainability data from funds.

In addition to individual investees, we 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, for example, the international Institutional Invest-

tors Group on Climate Change (IIGCC).

In Finland, we actively shape development in the construction sector. We contribute to developing responsible practices in the real estate and construction industry, for instance, by participating in the working groups of Rakli, the organisation representing Finnish property owners and construction clients, and taking part in public debate.

Reporting policy

Our aim is to provide sufficient information on our operations publicly to enable our customers and other stakeholders to follow and evaluate our operations.

Sustainability is embedded in our strategy and vision. The main policies on the practical implementation of sustainability are made by the President and CEO and the Executive Group. In addition to this Annual and Sustainability Report, we report on our sustainability in the [Report on Operations and Financial statements](#) (pdf) signed by Ilmarinen's Board of Directors. In accordance with the new Corporate Sustainability Reporting Directive (CSRD),

the sustainability actions taken in 2024 will be reported as part of the Report on Operations and Financial statements.

In this report, our Sustainability Manager was still in charge of sustainability reporting. She compiled the report together with our financial monitoring and other experts. She was also responsible for preparing updates on our key performance indicators for sustainability for the Executive Group. We call these indicators by their established name Key Performance Indicators or KPIs.

We prepare our Sustainability Report largely from the viewpoint of our parent company Ilmarinen Mutual Pension Insurance Company. If the boundary of a key figure differs from the parent company's boundaries, it is mentioned 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 and Financial statements 2023](#) (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 prepared 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. We performed a materiality analysis,

in which we evaluated the impacts, risks and opportunities of sustainability factors. They were listed, and the material sustainability matters to be reported were selected based on the threshold value.

We report on the return on our investments and our solvency quarterly in our [interim reports and financial statements](#) (ilmarinen.fi). These interim reports allow our 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 (Taskforce on Nature-related Financial Disclosures).

Ilmarinen's carbon footprint has been calculated for 2020–2023. The calculation was based on the financial approach. Emissions from energy consumption were calculated using the market-based approach. Emissions from district heating are calculated on an annual basis using an

average district heating emission factor. The calculation of the fuel production and energy transfer loss category 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. Emissions from personnel's commutes were calculated 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.

Changes in reporting

The 2022 report reported a high carbon risk level for the operations of the investees, as it was in the 2022 Key Performance Indicators for sustainability (KPI 6/2022). It no longer exists in the 2023 KPIs, so it was not reported.

A "Free-time residential buildings" -row was removed from the table "Carbon footprint of real estate investments" as they are included in the row "Other". Data on foreign residential properties were added in 2023 and 2022 because that data was available. No information was yet available for the 2022 report.

In the calculation of the carbon footprint of own operations, leased IT equipment was reported as part of capital goods between 2020 and 2022. In the calculation of 2023, they were reported separately.

The proportion of people covered by regular performance reviews and development discussions was now reported differently than from 2022: The figures for 2022 have been slightly restated because of the lack of documentation in the HR system for the management team, even though discussions have actually taken place. For 2023 sustainability reporting, the entire table and the basis for calculating the percentages were revised: Before, it was told how many Ilmarinen employees participated in the discussions in proportion to the number of Ilmarinen employees at

the end of the year. Now (2023) the number of people who participated in development discussions (segregated by gender/age group/staff group) was compared to the total number of the group in Ilmarinen at the end of 2023 (e.g. under 30-year-olds/all under 30-year-olds who participated in development discussions at the end of 2023).

Errors in previous reporting

Ilmarinen's Annual and Sustainability Report 2022 stated that, thanks to the CO₂-free energy used in the properties, the emissions caused by real estate have decreased by 58 per cent from the baseline, or the figures for the Covid-19 year 2020. However, the calculation did not account for the emissions from purchased energy or the divestment of properties with unfavourable energy efficiency from Ilmarinen's portfolio. When the emissions from purchased energy are accounted for, the emissions decreased by a total of 34.5 per cent from the average of 2018–2020 by 2022. The Climate Roadmap's target is to reduce the in-use carbon footprint by 50 per cent, which

means that we are well on track.

The water consumption of foreign business premises had been calculated incorrectly for 2022 so that the denominator has also been the surface area of residential properties (0.32 m²/m³/year). The actual water per facility square was 0.35 m²/m³/year.

Market-based emissions of the leased property for 2022 were reported at 18,185 tCO₂e. The data found an incorrect assumption that all purchased electricity used in outward-leased properties is CO₂-free. The actual emissions for the assets leased out in 2022 were 42,102 tCO₂e.

The number of participants in work ability training (webinars) had been calculated incorrectly for 2022 (2328). The correct number of participants was 2058.

The Annual and Sustainability Report 2022 stated that the highest employee Net Promoter Score in our measurement history, 51, was from October 2021. It should have read August 2020.



Ilmarinen's GRI index

GRI Standard	Disclosure	Location	Requirement (s) omitted	Omission Reason	Explanation
General disclosures					
GRI 2: General disclosures	2-1 Organizational details	p. 4, 61		Reasons for omission <u>are not permitted.</u>	
	2-2 Entities included in the organization's sustainability reporting	p. 2, 71			
	2-3 Reporting period, frequency, and contact point	p. 2			
	2-4 Restatements of information	p. 2, 72			
	2-5 External assurance	p. 2, 73, 74			
	2-6 Activities, value chain and other business relationships	p. 4, 46, 68			
	2-7 Employees	p. 55			
	2-8 Workers who are not employees	p. 52			
	2-9 Governance structure and composition	p. 64			
	2-10 Nomination and selection of the highest governance body	p. 64			
	2-11 Chair of the highest governance body	s 64			
	2-12 Role of the highest governance body in overseeing the management of impacts	p. 9, 14, 19, 65, 67			
	2-13 Delegation of responsibility for managing impacts	p. 9, 10, 71			
	2-14 Role of the highest governance body in sustainability reporting	p. 2, 71			
	2-15 Conflicts of interest	p. 66			
	2-16 Communication of critical concerns	p. 65			

2-17 Collective knowledge of the highest governance body	p. 9		
2-18 Evaluation of the performance of the highest governance body		Information incomplete	Collective knowledge of the highest governance body is <u>not currently assessed</u> . <input type="checkbox"/>
2-19 Remuneration policies	p. 64		
2-20 Process to determine remuneration	p. 64		
2-21 Annual total compensation ratio		Information incomplete	Remuneration policy is <u>monitored</u> more comprehensively: p. 52-53
2-22 Statement on sustainable development strategy	p. 7		
2-23 Policy commitments	p. 9, 14, 53, 62, 64, 68	Information incomplete	The commitments of investment activities are defined in Responsible Investment Policy.
2-24 Embedding policy commitments	p. 10, 19, 53, 68, 69	Information incomplete	Human Rights Impact Assessment is planned to be prepared during 2023.
2-25 Processes to remediate negative impacts	p. 37	Information incomplete	Human Rights Impact Assessment is planned to be prepared during 2023.
2-26 Mechanisms for seeking advice and raising concerns	p. 66		
2-27 Compliance with laws and regulations	p. 66		
2-28 Membership associations	p. 37, 67		
2-29 Approach to stakeholder engagement	p. 67		
2-30 Collective bargaining agreements	p. 54		

Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	p. 9, 11, 67, 71	Reasons for omission are not permitted.
	3-2 List of material topics	p. 9, 11	
Economic performance			
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9, 11	
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	p. 5, 61	
	201-2 Financial implications and other risks and opportunities due to climate change	p. 19 - 26	
Anti-corruption			
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9, 11, 60	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	p. 65	
	205-2 Communication and training about anti-corruption policies and procedures	p. 64	
	205-3 Confirmed incidents of corruption and actions taken	p. 64, 65	
Emissions			
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9, 11	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	p. 34, 35	
	305-2 Energy indirect (Scope 2) GHG emissions	p. 34	
	305-3 Other indirect (Scope 3) GHG emissions	p. 34	
	305-4 GHG emissions intensity	p. 23, 24	
Employment			
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9, 11, 37, 48	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	p. 54	
	401-3 Parental leave	p. 54	

Occupational Health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9, 11, 48, 51
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	p. 51, 52
	403-2 Hazard identification, risk assessment, and incident investigation	p. 52
	403-3 Occupational health services	p. 52
	403-4 Worker participation, consultation, and communication on occupational health and safety	p. 52, 53
	403-5 Worker training on occupational health and safety	p. 53
	403-6 Promotion of worker health	p. 53
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 53
	403-8 Workers covered by an occupational health and safety management system	p. 53
	403-9 Work-related injuries	p. 53
Training and education		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9, 11, 48
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	p. 54
	404-2 Programs for upgrading employee skills and transition assistance programs	p. 48, 49
	404-3 Percentage of employees receiving regular performance and career development reviews	p. 56
Diversity and equal opportunity		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9, 11
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	p. 57, 59
	405-2 Ratio of basic salary and remuneration of women to men	p. 51

Non-discrimination		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9, 11, 37
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	p. 49
Public policy		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9, 11, 60
GRI 415: Public Policy 2016	415-1 Political contributions	p. 67
Customer privacy		
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9, 11, 37, 63
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 63

Key Performance Indicators for sustainability

KPI 1/23	Climate Change	Investment portfolio's carbon intensity	p. 23
KPI 2/23	Biodiversity	Implementation of the Biodiversity Roadmap started in Ilmarinen's investment portfolio (yes/no)	p. 27–30
KPI 3/23	The environmental impacts of our operations	Carbon footprint of our operations.	p. 34, 35
KPI 4/23	Responsible working life	Supervisorship ratings in the Work energy ('Työvire')	p. 49
KPI 5/23	Extending careers	The retirement age of customers	p. 44
KPI 6/23	Human rights	Continued assessment of human rights risks and their impacts launched (yes/no)	p. 37, 38
KPI 7/23	Customers	Personal customers who visited MyPension service (%)	p. 40
KPI 8/23	Value chains	Responsibility Requirements for Suppliers introduced (yes/no)	p. 53, 68
KPI 9/23	Reliability and transparency	Impact of information security disruptions on access to services (pcs)	p. 63
KPI 10/23	Cost-effective operations	Operating expenses in proportion to the payroll.	p. 60



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Independent practitioner's assurance report

(Translated from the original report in Finnish language)

To the Management of Ilmarinen Mutual Pension Insurance Company

Scope

We have been engaged by Ilmarinen Mutual Pension Insurance Company (here after "Ilmarinen") to perform a 'limited assurance engagement', as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on sustainability information (excluding EU taxonomy reporting), in Ilmarinen's Annual and Sustainability Report 2023 (the "Subject Matter") for the period 1.1.-31.12.2023.

Criteria applied by Ilmarinen

In preparing the Subject Matter presented in the Annual and Sustainability Report 2023 Ilmarinen applied the Global Reporting Initiative (GRI) Sustainability Reporting Standards (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 (Revised)'), and the terms of reference for this engagement as agreed with Ilmarinen on 18.9.2023. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be 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 management

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.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement, and operate a system of quality management including policies or 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 applying analytical and other appropriate procedures.

Our procedures included:

- a) An update of our knowledge of Ilmarinen's material sustainability reporting topics, organization and activities,
- b) Interviews with senior management to understand Ilmarinen's sustainability management,
- c) Interviews with personnel responsible for gathering and consolidation of the Subject Matter to understand the systems, processes and controls related to gathering and consolidating the information,
- d) Assessing the Subject Matter 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 in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter for the period 1.1-31.12.2023, in order for it to be in accordance with the Criteria.

Helsinki, 19.3.2024

Ernst & Young Oy
Authorized Public Accountant Firm

Terhi Mäkinen
Authorized Public Accountant

ILMARINEN

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