



**Annual and Responsibility Report**

**2018**

# CONTENTS

## ELO IN 2018

CEO's review .....	1
Elo looks after its customers' pension interests .....	3
Illustrated summary of Elo's operations in 2018 .....	4
Elo in 2018 .....	5
Elo and society .....	6
Responsibility is crystallised in our strategy .....	8
What is expected of Elo's responsibility? .....	9
Elo's tax footprint .....	10

## RESPONSIBLE INVESTMENTS

Responsible investing is about taking responsibility for pensions for future generations .....	12
Climate change .....	14
Role of the Board of Directors and senior management.....	15
Responsible investment strategy.....	16
Openness as the starting point of own reporting....	21
Risk management as part of responsible investments .....	21
Metrics and objectives.....	24
Real estate investments .....	28

## RESPONSIBILITY FOR THE CUSTOMERS

Responsibility in customer relationships .....	31
Financing solutions to accelerate companies' growth .....	34
Elo is an important real estate owner and lessor ..	34
Good working capacity helps to extend career .....	35
We take care of current and future pensioners .....	39
Rehabilitation makes returning to work possible....	41

## RESPONSIBILITY FOR THE PERSONNEL

Responsibility for the personnel .....	43
Responsibility for personnel in numbers.....	48
Corporate governance and responsible operating principles .....	49
Compliance is part of responsible culture .....	50
Importance of data protection and security is increasing.....	52
Indicators of responsibility 2018 .....	53
Contact information .....	56



*Elo looks after its customers' pension interests – as part of society, as part of the world.*

**Responsibility is included in our basic task and strategy. We manage pension assets and pensions, insuring employees and self-employed persons.**

*Annual and Responsibility Report 2018 / This annual and responsibility report includes the essential events and financial key figures of 2018. We will also issue the Board of Directors' report, Financial Statements and a Corporate Governance Statement as separate reports.*



*The key objective of our operations is to secure the pension cover of our customers.*

# We bear responsibility for our customers' present day and future

**2018 was Elo's fifth year of operations following the merger of LocalTapiola Mutual Pension Insurance Company and Mutual Insurance Company Pension Fennia. During the past five years, we have engaged in determined work to offer the best customer experience in the industry.**

The work has been successful: our market share has increased year by year throughout Elo's existence.

The key objective of our operations is to secure the pension cover of our customers. To succeed in this task, we aim at growth, solvency and performance in accordance with our strategy.

Responsibility is an integral part of all of Elo's activities. We want to further develop the responsibility of our operations, taking into account the challenges of our changing operating environment, such as climate change, ageing population, declining birth rate and reducing dependency ratio. In late 2018, we launched the development of a new responsibility programme.

A key part of our responsible mission is to support our customer companies in work capacity management, the purpose of which is to extend careers, improve the quality of working life and prevent incapacity for work. During 2018, we continued to develop Elo's online service to even better support the working capacity management of our customer companies. With the online service, our customers gain an overview of the current state of the company's working capacity management in a single glance. The service guides to more strategic working capacity management and preventive work, which helps to reduce costs caused by incapacity for work.

We also cooperated closely with the Finnish Institute of Occupational Health to provide workplaces with research-based working capacity management tools. In particular, we invested in Työuran uurtaja<sup>®</sup>, or TUURA, trainings, which support employees with working capacity challenges to personally recognise ways to develop their competence and perceive how they could adapt their job descriptions to match their working capacity.

We conducted a survey to investigate the state of well-being at work among Finnish entrepreneurs together

insurance policies to our customers. The adoption went well, and our customers and accounting firms lauded the smoothness of our customer service also during the busiest times of the adoption of the income register.

Our work for the customer experience also contributed to customer acquisition. In terms of premiums written, the transfer business was a success in 2018, and by far the best in Elo's history. Transfers increased Elo's premiums written by over EUR 36 million. Good cooperation with our partners Fennia, LocalTapiola and Turva was essential in

receive the decision on their pension quickly upon retirement so that there will be no interruptions in their income. In 2018, pension decisions by Elo were made in 8 days on average, which is 20 per cent faster than the overall average for other employment pension companies. To develop good service experience, we expanded the coverage of electronic pension services and adopted SMS for reporting on the progress of processing of pensions.

Increasing uncertainty was characteristic of the global economy and investment market in 2018. Economic growth continued to be relative strong, both in Finland and globally. Elo's return from investments for 2018 was -1.4 per cent. In spite of the fluctuation and challenging situation in the investment market, the determined long-term development of investment strategies and operations continued.

The only way for us to succeed in future challenges is with the help of skilled and motivated employees. We aim to look after our employees' well-being at work and working capacity so that employees of different ages perceive their work as meaningful and retain their work motivation and working capacity at a high level throughout their careers. During 2018, we launched the "Elossa 2030" programme, aiming to prepare the personnel for changes in working life and future working life skills. We also provided representatives of the personnel and employer with training in equality and its promotion in the work community.

I want to thank all our customers, partners and personnel for their invaluable cooperation in building our future!

Satu Huber  
CEO

**“ We want to further develop the responsibility of our operations, taking into account the challenges of our changing operating environment. ”**

with the Federation of Finnish Enterprises. We will utilise the results of the survey in the development of working capacity management services.

During 2018, we invested strongly in both personal service and utilising the opportunities provided by digitalisation in the development of customer experience. We want to help our customers in their day-to-day lives so that using our services is effortless and cases are resolved at once. In recognition of this, the customer service of our Insurance Services ranked number one in the Customer's Voice competition. Moreover, according to the NPS (net promoter score) measurement, an increasing share of our customers are willing to recommend Elo.

During 2018, we prepared for the adoption of the national income register by actively communicating how the change will influence the management of pension

achieving this result. At the same time, we succeeded in keeping the cost efficiency of our operations at a level that facilitates competitive bonuses to our customers.

We want to support entrepreneurs' day-to-day lives and ensure that each self-employed person is aware of the meaning of YEL insurance with regard to their social security, such as sick leave pay and maternity allowance as well as pension. With changing forms of entrepreneurship and employment, the pension system also needs to evolve. We investigated the level of knowledge of self-employed persons and their views of entrepreneurs' pension insurance together with Uusi työ ry. At Elo, we consider it important for the legislation on YEL insurance to support all entrepreneurs' pension coverage in correct proportion to their work.

It is important for us to ensure that our customers





# Elo looks after its customers' pension interests

**Our basic task is to take care of the statutory employment pensions of our customer companies' employees and entrepreneurs.**

Employment pension is an important part of social security. Employers insure their employees through TyEL insurance and self-employed persons take out YEL insurance.

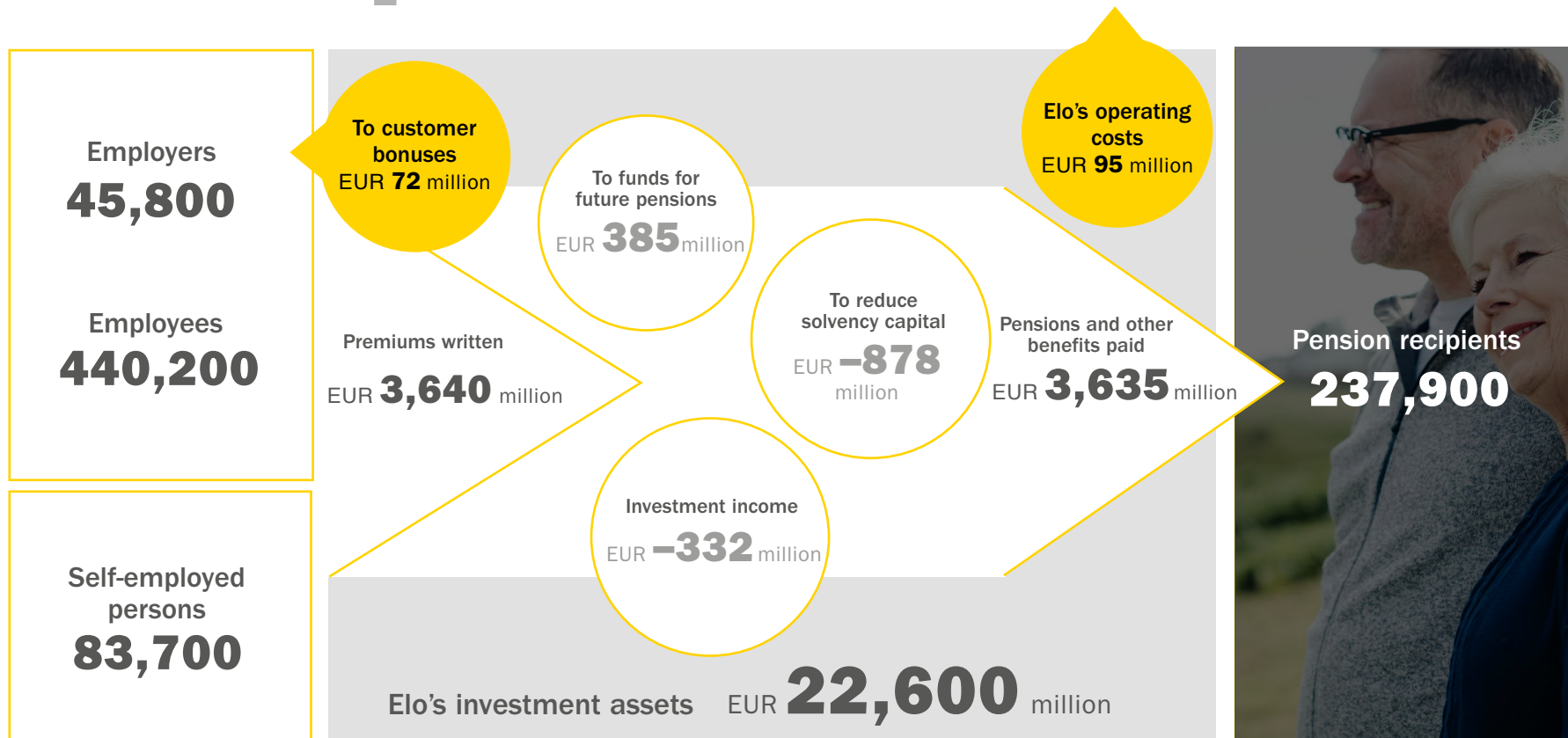
We are responsible for the future pensions of more than 520,000 employees and self-employed persons. We invest the assets we collect from our customers as pension contributions profitably and securely and use them to pay current as well as future pensions. Our investment assets amount to over EUR 22.5 billion. We provide current pensions to 237,900 pension recipients.

Elo is involved in many phases of companies' and people's lives. Through the management of risk of incapacity for work and rehabilitation, we are involved in lengthening working careers, which is important for the individual, companies and society. Maintaining the capacity for work and preventing sickness absence help our customer companies to prevent resulting costs.

Elo employs approximately 500 pension insurance specialists. We are the pension insurance partner of Fennia, LocalTapiola and Turva. Our head office is located in Tapiola, Espoo.

*Elo as part of society, as part of the world.*

# Illustrated summary of Elo's operations in 2018



We insure both the employees of our customer companies and self-employed persons.

We safeguard the future pensions by investing pension assets in a profitable and secure manner.

An employment pension provides income security when an employee or self-employed person retires. We grant and pay pensions correctly and on time to our pension recipients.

# Elo 2018

## Summary of key figures

	2018	2017
<b>Company size</b>		
Premiums written, EUR million	3,639.8	3,510.8
Pensions and other benefits paid, EUR million <sup>1)</sup>	3,634.6	3,444.2
Technical provisions, EUR million	20,431.7	20,134.5
Pension assets, EUR million <sup>2)</sup>	23,017.9	23,443.9
TyEL payroll, EUR million	13,312.7	12,717.0
YEL earned income sum, EUR million	1,783.7	1,824.2
Number of TyEL policyholders	45,800	45,100
Number of TyEL insured	440,200	424,500
Number of YEL policyholders	83,700	84,000
Number of pensioners	237,900	227,200
Number of personnel (average work contribution)	466	462
<b>Result</b>		
Loading profit, EUR million	31.8	23.3
Operating expenses as % of loading component	74.9%	80.9%
Transfer to client bonuses, EUR million	71.9	72.1
Transfer to client bonuses (%) of TyEL payroll	0.54%	0.57%
Solvency capital, EUR million	3,935.1	4,815.5
ratio to solvency limit	1.6	1.6
Pension assets, % of technical provisions	120.6%	125.9%
Net investment income at fair values, EUR million	-331.9	1,607.6
Net return from investment on capital employed, %	-1.4%	7.4%

<sup>1)</sup> Claims paid as shown in the income statement without expense loading components available for claims and working ability maintenance

<sup>2)</sup> Technical provisions + solvency capital

  
**-1.4%**

overall return on investments

  
**22.6**

investment assets, EUR billion

  
**3,635**

pensions and other benefits paid, EUR million



# Elo and society

**As an employment pension company, Elo plays a central role in society. We are in a position of trust when managing statutory pension insurance as part of social security.**

At Elo, we carry major responsibility in the Finnish society by managing pension assets, insuring employees and self-employed persons and taking care of pensions. Our services support our customer companies, and thereby we contribute to Finland's economic growth, employment and well-being at work. Elo's mission is to look after its customers' pension interests.

Elo has expertise and knowledge of social significance. The expertise is utilised and developed continuously in close interaction with our stakeholders. Our key

stakeholders include customers, labour market organisations, entrepreneur and industry associations, the authorities and the employment pension sector's cooperation and supervision of interest bodies. In 2018, the themes emphasised in stakeholder cooperation included the sustainability of the employment pension system, self-employed persons' pension insurance and simplifying the pensions system by merging the public and private pension systems.

***We cooperate closely with our stakeholder groups.***



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We continuously listen to our customers, and our operations are supported by the advisory committees of self-employed persons, employers, the insured and general pension interests. The key role of the advisory committees is to develop Elo by providing feedback, discussing topical themes and jointly considering affairs.

**“ We continuously listen to our customers, and our operations are supported by the advisory committees of different interest groups.**

**Elo employees take part extensively in cooperation and development in the employment pensions sector**

We are involved in various working groups in the sector and act as experts in matters being prepared for statements to the authorities, for example. In particular, key working groups include the administrations and groups of the Finnish Pension Alliance TELA, Finance Finland (FA) and the Finnish Centre for Pensions (ETK).

The employment pension sector's working groups are partly permanent, partly changing. They are also established around new topical matters found to be

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particularly important, such as self-employed persons' pension insurance and the merger of the pension system. FA's corporate responsibility section had its first full year of operations in 2018.

Elo carries responsibility for the transformation of the financial sector and is actively engaged in ensuring the

industry's well-being, productivity and competitiveness by way of the "Hyvinvoiva Finanssiala" project, for example. Elo's HR Director chairs the Financial Academy network that unites financial organisations and educational institutions.

Our stakeholders also include our partners, schools and educational institutions as well as the media. Serving the media and unambiguous communications are also part of our work. In 2018, Elo was visible in the media as a specialist in the pension insurance and well-being at work of self-employed persons and employees, for example.

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**Cooperation in benefit of the society**

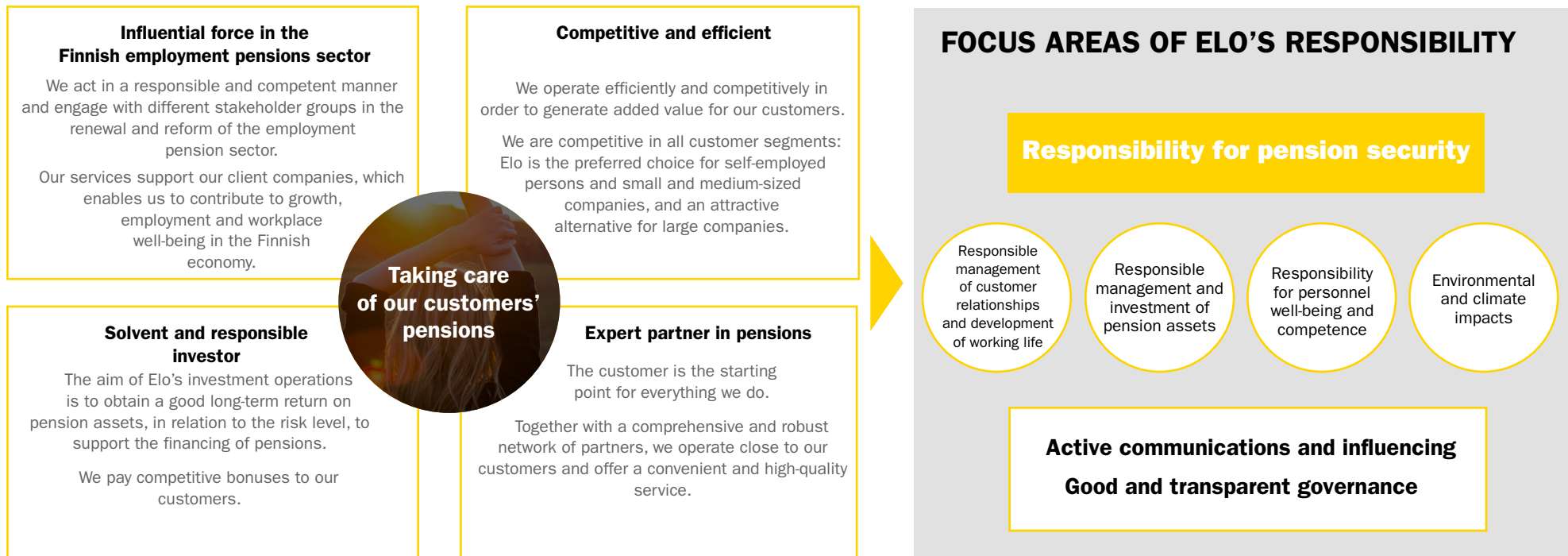
As part of our social role, we cooperate with non-profit organisations. The measures promote e.g. Finnish entrepreneurship, continuity of business operations and use of innovations to promote business, as well as preventing the marginalisation of young people and helping them to attach to working life.

In August 2018, we partnered with the "Economics Defence Course" for the fourth time. The aim of the event organised by the Helsingin Sanomat newspaper and Aalto EE was to give rise to discussion and share insights regarding reforms needed to build Finland's future.

In 2018, we took part in the Entrepreneur of the Year competition and the Junior Achievement Finland programme. We provided four young people with an opportunity to take part in monitoring the work of Elo's director in the Job shadow event.

We donated a total of EUR 20,500 of funds reserved for non-profit purposes to Maanpuolustuksen tuki, Suomen Aivosäätiö, Psykiatrisen Tutkimussäätiö, Rajamme Vartijain Säätiö, Sotiemme Veteraanit, HelsinkiMissio, Helsinki Deaconess Institute and SOS Children's Village Foundation. Elo employees decided to donate some of the funds reserved for the personnel's Christmas greetings to the Helsinki Metropolitan Area Organization for Caregivers and Relatives.

# Responsibility is crystallised in our strategy



# What is expected of Elo's responsibility?

In autumn 2016, we conducted a materiality assessment to find out our stakeholders' views of the importance of different areas of responsibility to our business operations. According to our estimate, the focus areas of the materiality assessment have not changed significantly during the past two years, so our reporting focuses on the material aspects pursuant to the assessment. Our stakeholders consider *financial responsibility, solvency and responsible investment* the key elements of responsibility. They also consider *personnel well-being and competence, responsible management of customer relationships and environmental and climate impacts* to be important. With regard to environmental and climate impact, the reporting focuses on investment operations.

We continued to develop our responsibility efforts in 2018 and launched the preparation of Elo's responsibility programme.

## Organisation of responsibility at Elo

At Elo, corporate responsibility is included in our day-to-day business. The financial and communications units coordinate the reporting on corporate responsibility. The reporting is supported by a network comprised of specialists from Elo's different business areas, and its members take part in collecting corporate responsibility information and contribute to the creation of a culture of

responsibility at Elo. The aspects of corporate responsibility are taken into account in long-term development.

Elo's financial annual reporting is comprised of the Annual and Responsibility Report, Board of Directors' report and financial statements, statement on non-financial information and a separate Corporate Governance Statement. The Board of Directors of Elo approves the annual and responsibility report as part of the company's overall financial annual reporting. **(GRI 102-32)**

The practice of responsible investing is coordinated by a Responsible Investment Steering Group. Responsible investment and reporting are developed jointly by the members of the responsible investment steering group and the rest of the investment organisation. The director of each asset class, each portfolio manager and analyst are responsible for the application of responsible investment principles and practices in their day-to-day work.

## Reporting principles

This is the second time that the Global Reporting Initiative (GRI) framework is used, as applicable, in responsibility-related reporting. Elo publicly supports the TCFD's (Task Force on Climate related Financial Disclosures) climate reporting recommendations. With regard to Elo's investment operations, the 2018 responsibility report complies with the TCFD's disclosure framework. In

accordance with the TCFD's reporting recommendations, Elo has divided its responsible investment section into four main themes: governance, strategy, risk management and metrics. The reporting also takes into account the climate indicators of the Finnish financial sector for investment operations.

In reporting on the development of the areas of corporate responsibility, we use Elo's own and GRI-compliant indicators regarding the areas considered the most material. The indicators are summarised in a single table.

The financial indicators are figures from Elo's financial statements, the personnel indicators were retrieved from our HR system and the other figures from diverse business systems.

## Responsibility is included in our basic task

Elo's mission is to look after its customers' pension interests. Our vision is that Elo grows and develops to be recommended by the customers, trusted by the partners and highly valued by society. Responsibility is incorporated into Elo's strategy and associated with all our strategic target areas: solvency, performance and growth. This annual and responsibility report provides information about Elo's operations and the development of responsibility in 2018.



# Elo's tax footprint

Paying taxes is a central part of a company's role in society, and a company's tax footprint in part illustrates the financial impact of its operations on society. By publishing the footprint, we can show the taxes we pay on our various operations. Tax footprint reporting is voluntary for companies and no fixed formats or models exist for the calculation or presentation of the report. Elo's tax footprint reporting is based on the company's financial statements information.

Elo's tax footprint is comprised of the payment of taxes on our own operations, our insurance and investment operations and the companies in which we have invested. Elo requires its investments to comply with local legislation

responsible payment of taxes. This is also important to foresee the net return from investments. Employment pension assets must be invested in a profitable and secure way.

The starting point of the income taxation of private sectors' pension system in Finland is to avoid multiple taxation so that future pensions can be secured in the best way possible by accumulating the employment pension funds. On the other hand, this also avoids pressure on increasing employment pension premiums.

Employment pension premiums are deductible in the income taxation of employers, employees and self-employed persons. Pension benefits, on the other hand,

**“ The majority of the revenue is spent on paying current pensioners' employment pensions, while the rest is funded to pay future pensions. ”**

and international tax treaties. Moreover, we emphasise transparency and openness in our ownership steering and encourage companies to report on their tax policy and tax footprint. In analysing and assessing our investments, we carefully investigate tax consequences as part of

are taxable income for the recipient upon their payment. Our main task is to safeguard and pay pensions. In 2018, we paid a total of EUR 3,255.7 million in taxable pensions and benefits, of which EUR 648.4 million was disbursed to the tax authorities in the form of withholding taxes to cover the pension recipients' taxes.



Employment pension insurance companies are liable to pay income tax, and their taxable income is calculated in accordance with the Act on the Taxation of Business Profits and Income from Professional Activity. Elo earns income from the employment insurance premiums paid by its customers and from its investment operations. The majority of the revenue is spent on paying current pensioners' employment pensions, while the rest is funded to pay future pensions. In accordance with tax legislation, an employment pension insurance company can deduct the provision for future pension liabilities in its taxation.

The taxes paid on our investment operations include tax at source collected by the country of domicile of the party paying the investment income. We pay tax at source

in countries outside of Finland on e.g. the dividend we receive in accordance with the provisions of tax treaties signed by Finland. In addition, taxes paid on investment operations include property taxes on directly owned real estate and non-deductible indirect taxes on expenses related to ownership of real estate investments and on operating expenses of investment operations.

We employ a significant number of people. The employer's prepayments of withholding tax and social security contributions on paid salaries and other remuneration are included in Elo's tax footprint. In 2018, the withholding taxes paid on the earnings of Elo's personnel totalled EUR 10.1 million.

Insurance operations are a service not subject to value added tax, and therefore employment pension insurance companies are not liable to pay value added tax. This means that the value added tax included in operating expenses and purchases are not deductible for Elo. In 2018, we paid value added tax totalling EUR 6.2 million on our own purchases.

#### Taxation of other business operations

EUR million	Tax base	Taxes paid
Wages and salaries of personnel	32.8	10.1
Other operating expenses	78.7	6.2
Pensions paid	3,255.7	648.4

(GRI 201-1)

#### Taxation of investment operations

EUR million	Net return before taxes	Taxes paid	Refunds received	Net return after taxes	Taxes, total
Interest income	132.1			132.1	
Dividend income	461.8	-15.8	6.5	452.5	-9.3
Real estate income	60.1	-1.3		58.9	-1.3
Other investment income and expenses	-344.7	-2.1		-346.8	-2.1
Value adjustments in bookkeeping	99.8			99.8	
Change in valuation differences	-728.3			-728.3	
Investment income, total	-319.2	-19.2	6.5	-331.9 <sup>1)</sup>	-12.7

<sup>1)</sup> Net investment income at current value



# Responsible investments

**In 2018, engagement was in the focus of responsible investments. We took part in several initiatives by consortiums of investors to combat climate change and engaged in active dialogue with our investments and other stakeholders. We also revised our ownership policy.**

## **Our approach to responsible investments**

Our fundamental idea is to operate in different investment markets so as to generate the best possible return on funded pension assets in all market conditions at the selected risk level. As a long-term pension insurance company and investor, we also believe that a strong approach to the responsibility of our investments, integrated into our investment process,

plays an essential role in pursuing good return on investment and investment risk management. We engage with our investments either by ourselves or in cooperation with other investors or stakeholders. Ownership steering is also a key part of the responsibility of our investment operations.

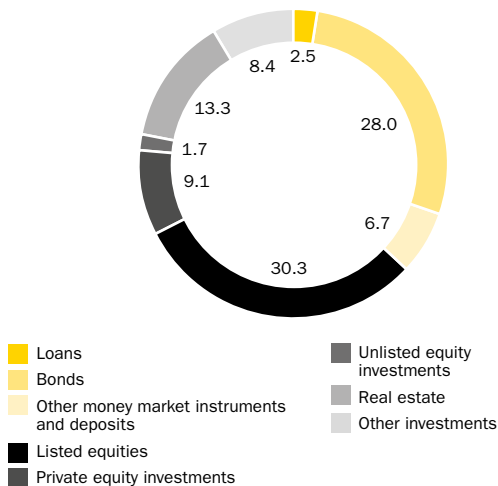
***We engage with our investments either alone or in cooperation with other investors.***

The responsibility of investments is assessed based on the ESG aspects: environmental responsibility, social responsibility and good corporate governance. We believe that operating sustainably is the only way for companies to achieve sustainable and better results over the long term.

### Responsible investing is about taking responsibility for pensions for future generations

The objective of Elo's investment operations is to ensure the profitable and secure investment of employment pension assets. The employment pension assets are invested in compliance with the company's strategy and operating policies. The responsibility for pension assets extends decades into the future. Elo's principles for responsible investing are also based on corporate social responsibility: our accountability to policyholders and the insured. The investment process is independent,

Investment distribution (%)

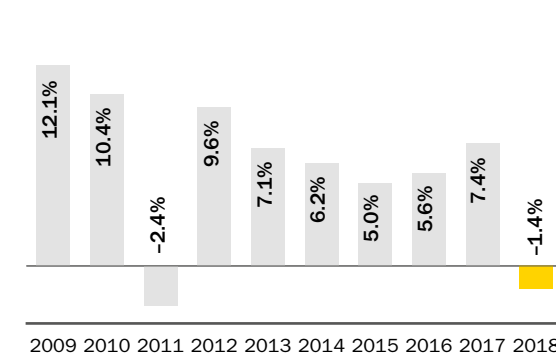


autonomous and focused on the long term.

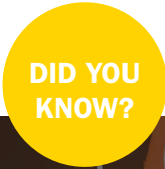
Responsible investment is an integral part of Elo's investment operations, including the company's own operating methods. Elo's principles of responsible investing apply to all asset classes, taking into account their special features and the form of investment. Responsibility is present in the selection and monitoring of investments, and it is also constantly developed. In our view, responsible operating methods enables us to achieve better returns on investments, while at the same time managing the risks inherent to investments.

The average nominal return of Elo's investments over 5 years was 4.5 per cent and over 10 years 5.9 per cent. The real return over 5 years was 3.9 per cent and over 10 years 4.6 per cent. More detailed information about the investment year 2018 is available in the Board of Directors' report.

Long-term development of return on investments 2009–2018



Pro forma figures from 2009–2013 are the combined figures of Pension Fennia and LocalTapiola Pension Company.



**WE COMPLY WITH THE UN'S PRINCIPLES FOR RESPONSIBLE INVESTMENT**

*We signed and committed to the UN Principles for Responsible Investment (PRI) in 2007. As a signatory to the principles, we aim to comply with and promote the aspects associated with the environment, society and good corporate governance (ESG) in investment analyses and decisions as well as in terms of ownership policy. We annually report on the development of our responsible investment practices to PRI and publish PRI reports on our website.*

## Climate change

Climate change is one of the greatest challenges humankind is facing and a threat to sustainable development. If not kept under control, climate change will have major impacts on the global economy and society.

As a pension investor, Elo's responsibility for employment pension assets extends decades into the future. For this reason, climate change must be taken into consideration as part of the day-to-day risk assessment of investments. We believe that it is important to respond proactively to climate change, to actively assess the risks of climate change, and, also, to actively seek and utilise sustainable development solutions.

Our objective is to ensure sustainable investment returns, taking into account the challenges that climate change imposes on the financial markets and our investments. The on-going transition to a low-carbon society provides investment opportunities in the short term. At the same time, companies that are falling behind in the transition to a low-carbon society are becoming less attractive investments.

### The systemic risk of climate change cannot be diversified

Climate risk refers to the risk to business and society at large due to the effects of climate change. From the investor's point of view, the risks can be divided at least into three parts: the physical effects of climate change,

transition risk, as in the transition to low-carbon society, and systemic risk of the financial market.

The Financial Stability Board (FSB) has defined climate change as a systemic risk for the financial market, compromising the sustainability of the entire financial market. Climate change mitigation is one of the UN's Sustainable Development Goals.

An investor cannot eliminate systemic risk from its portfolio by diversification. The only way to reduce it and mitigate climate change is via engagement with the investment targets, governments and political decision-makers. In addition to engagement, we try to comprehensively assess the climate risks and to capitalise on the investment opportunities introduced by climate change.

## Direct and indirect impacts of climate change on Elo

	Indirect risks, having an impact on Elo via investments and service providers		Risk directly having an impact to Elo
	Physical risks	Transition risk (transition to low carbon society)	Financial market system risk
Manifestations	Natural disasters	Political Legislation Technology	
Management	Diversification	Diversification	Engagement
Significance in different climate warming scenarios	4–6 degree scenario	> 2 degree scenario	All scenarios, significance grows in higher degree climate warming scenarios





The UN Sustainable Development Goals function as the framework of Elo's responsible investments in terms of measuring the positive impacts.

### Key aim is to increase positive impacts

In addition to risks, climate change provides new business opportunities. We encourage companies to create solutions for sustainable development, either to mitigate the impacts of climate change or adapt to its impacts. Sustainable development solutions are required to solve the world's biggest social and environmental challenges.

Our climate strategy aims at a comprehensive assessment of the climate risks and to capitalise on the investment opportunities introduced by climate change. It is a key objective of the strategy to aim to increase investments in sustainable solutions. Our objective is to measure positive impact on society or environment in addition to financial performance. We strive to assess the positive impacts of our investments, and our aim is to systematically increase the share of such investments in our portfolios.

### Role of the Board of Directors and senior management

At Elo, responsible investment is guided by Elo's strategy and investment plan as well as the principles of responsible investments and ownership policy, approved by the Board of Directors. The principles provide more detailed information about our ways of working. The principles of responsible investments and ownership policy are available on Elo's [website](#). The Executive Group of investments, chaired by Elo's CEO, is responsible for preparing and updating the principles.

Elo's principles of responsible investing apply to all asset classes, taking into account their special features and the form of investment. At Elo, responsible investment is integrated in the investment processes.

Elo aims to support and encourage companies to succeed and increase their shareholder value over the long term. Ownership steering is a key part of the responsibility of our investment operations. Elo's ownership policy steers Elo's operations as a significant and active shareholder, and the currently effective Corporate Governance Code has been taken into consideration in them.

### Main objectives of Elo's climate strategy

- Our long-term objective is for a significant portion of our investments to be aligned with the UN's Sustainable Development Goals by 2025. This objective applies to direct equity and corporate bond investments and all infrastructure and real asset investments.
- As an ongoing objective, we strive to ensure that our investments don't involve excessive climate risk. Each year, we calculate and report the carbon footprint of our investment portfolio, and we use the results as part of the assessment of carbon risk.
- Elo joined the Energy Efficiency Agreements for the real estate sector. The savings target for 2017–2025 is a minimum of 7.5 per cent of the annual energy consumption of the properties.

In addition Elo's objective is to ensure sustainable investment returns, taking into account the challenges that climate change imposes on the financial markets and our investments. Therefore, a climate strategy supplementing responsible investment approved by the Board of Directors was created in 2017, indicating Elo's main objectives to take climate change into consideration in our investment operations. The climate strategy is available on Elo's website.

The Board of Directors is regularly updated on matters related to responsible investment during the year. Furthermore, the Board of Directors approves Elo's annual and responsibility report and the non-financial disclosures of the Board of Directors' report as part of the company's financial reporting. Active dialogue on the development of responsible investment takes place with the Board of Directors.

### Steering groups develop and coordinate responsible investment

The Executive Group of investments is supported by the Responsible Investment and Ownership Steering Groups. The Responsible Investment Steering Group implements the principles of responsible investment and ensures that information and best practices are shared between asset classes. In addition, its tasks include the development and coordination of responsible investment. The steering group is also responsible for distributing information relating to responsible investment between asset classes and ensuring consistent ways of working.

Each asset class has a representative as a member of the Responsible Investment Steering Group. The steering

group also regularly monitors the achievement of the objectives set in the principles of responsible investing and climate strategy. Each employee of the investment organisation is responsible for the implementation of principles of responsible investing and practices in their day-to-day work. The Responsible Investing Steering Group convened eight times in 2018.

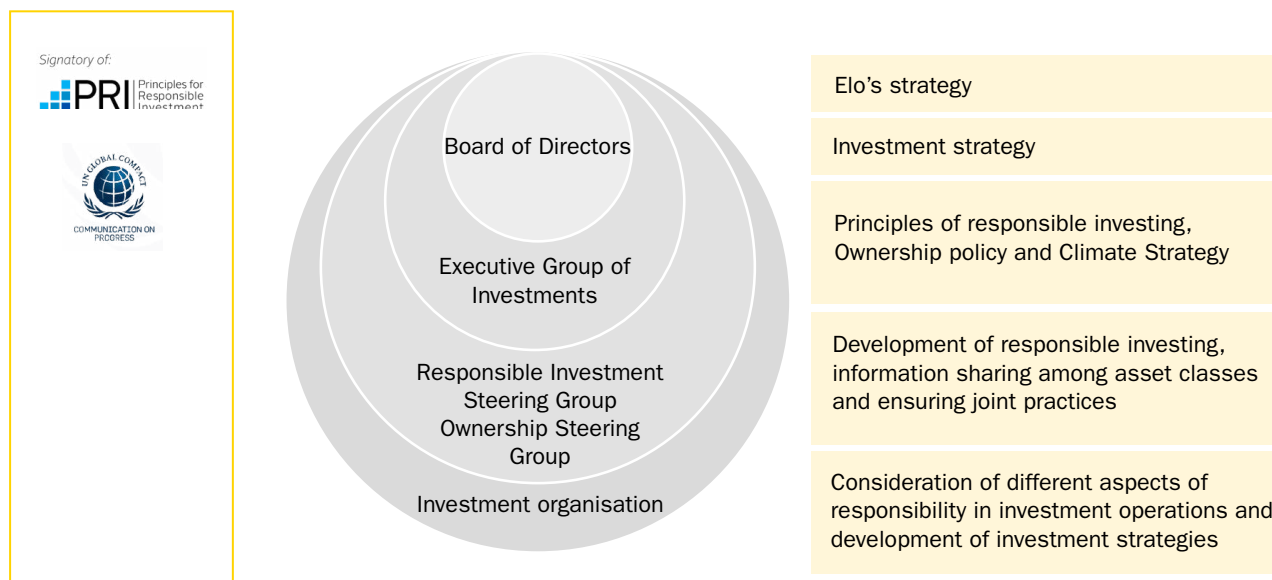
The Ownership Steering Group guidelines on matters related to ownership steering based on Elo's ownership policy. The members of the Ownership Steering Group include Elo's CEO and executives from the Executive Group of investments and investment operations. The group convened four times during 2018.

### Responsible investment strategy

Elo's responsible investment strategy is comprised of the following areas:

1. responsible operating methods
2. compliance with international norms
3. the assessment of responsibility as part of the analysis, decision-making and monitoring related to investments, as well as
4. ownership steering and other means of engagement.

### Elo's responsible investment governance model



### **Elo's own operating methods**

Elo's view is that responsible operating methods can generate better investment returns and manage the risks associated with investments. We comply with carefully agreed investment processes and principles.

Investments are analysed in depth from both financial and responsibility point of view, and the investment decisions are well-considered. Efforts are made to continuously develop risk management and risk control. Internal control, including supervision of compliance with external and internal regulations (Compliance), is also

### **Investment operations and portfolio management**

Underlying Elo's responsible investment is the view that only sustainable business operations can create long-term sustainable results. We have integrated responsible investment in the investment process alongside traditional investment analysis metrics. We assess the responsibility of investments based on the ESG aspects: environmental responsibility, social responsibility and good corporate governance. Thorough and extensive integration of ESG aspects aims to improve the risk-return ratio, especially over the long term. Everyone taking part in the analysis,

investment and assess the ability of the investment to manage and mitigate their ESG risks and opportunities to benefit from sustainable development themes in their business operations.

### **Compliance with the Global Compact corporate responsibility standard is the starting point in the definition of responsibility**

In defining the responsibility of investments, the starting point is in the international standards as applicable to each asset class, such as the UN's Global Compact corporate responsibility standard. Global Compact includes 10 principles on the environment, corruption, human rights and labour. Elo's own analysis activities are built on this foundation as part of the investment process.

Elo uses a monitoring process for norm violations, using an external international service provider as the source of information. If the company does not meet Elo's responsibility

principles, Elo aims to make the company to take corrective actions in its operations. Elo may disinvest due to shortcomings observed in responsibility if the company fails to propose and take corrective actions.

We exclude companies manufacturing controversial weapons and tobacco companies from our direct equity and corporate bond investments \*).

In government bond investments, the model of assessing responsibility is based on the global Corruption Perceptions Index (CPI) of Transparency International, avoiding investments in the lowest quarter.

**“ Responsible investing aims at a better risk-return ratio of investments by combining two points of view: risk mitigation and utilisation of opportunities.**

an important part of Elo's responsibility. Elo is also open with regard to the transparency and reporting of its own operations. In its own reporting, Elo complies with its own openness principles and the regulations set for it as an employment pension company.

### **Responsible investment in practice**

Elo's Responsible Investment Steering Group coordinates and develops responsible investment, which in practice is comprised of investment operations and portfolio management, engagement, dialogue and reporting.

selection, decision-making and monitoring of investments considers responsibility in investment decisions.

The responsibility assessment of investments is based on corporate responsibility disclosures of companies and service providers, meetings with company management and the ESG database of an international service provider, as well as an extensive ESG analysis. These support the in-house analyses. Taking responsibility into consideration in investment decisions and investments varies slightly between different asset classes and types of investment. We aim to identify the ESG aspects essential for each

\*) Tobacco companies: MSCI Tobacco sector companies. Controversial weapons: cluster munitions, anti-personnel mines, biological and chemical weapons, nuclear weapons and depleted uranium. The exclusion criteria are based on a data-analysis by MSCI ESG Research.

### Significance of engagement is increasing

The significance of engagement as a tool for a responsible and active shareholder is growing, and we are continuously directing more of our efforts into it. Engagement is also the only way of having an impact on reducing the systemic risk of the financial market caused by climate change. We encourage companies to take responsibility aspects better into account in business operations and reporting and that the company also considers material aspects of responsibility in the remuneration of its management.

We strive to engage with our investments either by ourselves or in cooperation with other investors and stakeholders. In addition to this, we engage in active dialogue with our investments. We prefer engagement projects involving a significant number of other investors, as engaging with the investments is commonly more effective this way.

### Engagement reduces the systemic risk caused by climate change

Our objective is to engage with companies to make them disclose their climate impacts and reduce their climate risks. Public commitments and declarations are a visible way of attracting attention to important matters. We are involved in several initiatives in which we, together with other investors, globally encourage companies to take climate change into consideration in their business operations and develop solutions to mitigate climate change.

Goal-oriented cooperation can significantly increase the value and possibilities of success in practise of engagement. Moreover, global initiatives provide sounding board and effectiveness.

### Responsible investment is integrated in all asset classes at Elo

Asset class	Analysis ESG-aspects and ESG-grade (investment and/or service provider)	Follow up of Global compact – principles and engagement	Positive impact to environment and society	Exclusion of controversial weapons and tobacco	Reporting carbon footprint
Direct equity and corporate bond investments	X	X	X	X	X
Sovereign bonds <sup>1)</sup>	X				
Interest rate and equity funds	X			X	X
Hedge-funds	X				
Private equity investments	X				
Real estate investments	X				X
Infrastructure- and real investments	X		X		

<sup>1)</sup> Follow up of Corruption Perceptions -index of Transparency International (CPI)

### CASE

## SHELL – LINKING CARBON FOOTPRINT OBJECTIVES TO THE REMUNERATION OF EXECUTIVES:

*In 2017, Shell disclosed its carbon footprint objective and the schedule for achieving it. The global investor community considered the measures inadequate and voted against the management's remuneration scheme at Shell's annual general meeting; the performance bonus structure encouraged the company to stick to the old business model and was in conflict with the Paris Agreement.*

*An open letter signed by Elo with 60 institutional investors was published in May 2018, encouraging oil and gas companies to develop solutions that are in line with the two-degree warming goal stipulated by the Paris Agreement.*

*In December 2018, Shell and Climate Action 100+ published a joint statement in which Shell announced e.g. a new revised short-term carbon footprint target and integration of the achievement of the carbon footprint targets into executive remuneration.*



## Elo's external commitments and cooperation projects:

(The year Elo committed to the initiative in brackets)

	<p><b>PRI, the UN's Principles for Responsible Investment (2008)</b></p>
	<p><b>PRI Montréal Pledge, disclosure of the carbon footprint of investments (2015)</b></p>
	<p><b>CDP (2015), climate change, water and forest programme and the Investor Action Request initiative (2018)</b></p>
	<p><b>IIGCC, Institutional Investors Group on Climate Change (2017)</b></p>
	<p><b>TCFD, Task Force of Climate Related Financial Disclosures (2017)</b></p>
	<p><b>Climate Action 100+ (2017)</b></p>
	<p><b>Investor Agenda (2018)</b></p>

### Elo was involved in several engagement initiatives in 2018:

- 8/2018: Elo signed CDP's Investor Action Request initiative. It provides investors with a greater visibility into how their portfolio companies manage carbon emissions and energy efficiency.

- 5/2018: Elo signed a joint letter to the oil and gas sector to mitigate climate change. The letter was published in the Financial Times, among others.

- 6/2018: Elo signed a joint letter to the G7 countries, "2018 Global Investor Statement to Governments on Climate Change".

- 12/2018: Elo signed a joint letter to power companies to mitigate climate change, published in the Financial Times.

- 5/2018: Elo, other investors and IIGCC addressed Shell's general meeting to set more detailed goals for climate work

- 12/18: Shell announced a new public short-term carbon footprint target and integrating the targets in executive remuneration.

- Elo participated in The Investor Agenda, which has been developed for the global investor community to accelerate and scale up the actions that are critical to tackling climate change.

- Elo made a commitment to outline its view on coal.



## ELO AS AN EXAMPLE

*The Asset Owner Disclosure Project (AODP), which assesses climate-related risks and opportunities, published its report "Winning Climate Strategies" in conjunction with the Finnish Climate Summit in summer 2018, ranking Elo among the 22 globally best exemplary investors. The report distributes best practices for taking climate risks into consideration in investment. The report was based on a climate report published in 2017, in which Elo ranked among the best three per cent in a global comparison, receiving the best AAA classification for taking climate change into consideration in its investment operations.*

### **Ownership steering is a key means of engagement**

Responsible investments are also visible in Elo's ownership policy, which steers Elo's operations as a significant and active shareholder. The ownership policy communicates matters that we consider important in the companies in which we are shareholders and in the selection of new investments. As a long-term shareholder, Elo wants to promote the responsibility of its investments and supervise compliance with good corporate governance.

#### *The ownership policy communicates our expectations as a shareholder*

Elo revised its ownership policy during 2018, and it will be published during the first half of 2019 on Elo's website. The major aspects of ownership steering at Elo are transparency, responsibility, reliability and equal treatment of shareholders. Ownership steering is used in direct listed equity investments in particular. The ownership

or through a proxy adviser, participating in shareholder's nomination boards and engaging in regular dialogue with the management and, if necessary, with the Boards of Directors of the companies.

#### *Attendance at general meetings and election of Board Directors are the key methods of ownership steering*

Where necessary, we vote in deviation from the proposals of the Board of Directors at general meetings in agenda items we consider important if our view differs from the Board's proposal. If the Board's proposal of a Finnish company's general meeting deviates from Elo's principles, Elo reports this to the company in advance and strives to discuss the matter with the company.

As a rule, Elo attends the general meetings of all the Finnish companies in which it is a shareholder. Outside of Finland, Elo attends general meetings of companies in which it has a significant shareholding or attendance is seen appropriate due to other reasons. A proxy advisor's

work of nomination committees and nomination boards in significant investments, if necessary.

Information about the memberships of Elo's representatives in the nomination boards of listed companies is available on Elo's website.

#### *Transparent reporting allows assessment of responsibility*

Determining the remuneration of the management is included in the tasks of a Board of Directors, and the remuneration must be based on a remuneration policy reviewed by the general meeting. In addition, we find it important for a company to not only take financial impacts, but also material responsibility aspects to its business into consideration in its remuneration policy.

We consider the transparency and openness of the operations of our investments to be an essential foundation for ownership steering. Regular and diverse communication and reporting containing material information are an essential part of transparency. We

recommend reporting on climate matters in accordance with the TCFD reporting recommendations, including an assessment of the impacts of climate change on business operations. It is also recommended for companies to report how they contribute to the achievement of the UN's Sustainable Development

Goals through their business operations.

#### **Dialogue with stakeholders**

Elo engages in active dialogue with diverse stakeholders and aims to influence regulatory and reporting projects with effects on the investment operations of pension insurance companies and responsible investment, among

**“ As a long-term owner, we want to advance the responsible operation of our investments and to monitor compliance with good corporate governance. ”**

policy applies to shareholdings in and outside of Finland. We focus our ownership steering measures on Finnish companies and the foreign companies in which Elo is a major shareholder or engagement is seen appropriate for other reasons.

Elo primarily exercises its shareholder rights in three ways: by attending the general meetings of the companies in which it is a shareholder either by itself

services can be used in attending general meetings.

One of the most important methods of ownership steering is to engage with investments through the election of the Board of Directors. Elo's starting point is to contribute to the company having a competent Board composition from the point of view of developing the company and increasing shareholder value. Elo takes part in the appointment of any nomination boards and the

other things. Finnish employment pension insurers can engage with other companies through international networks and arenas so that they would report on their climate impacts and reduce their climate risks. Elo actively highlights the points of view of responsible investing in its communications and also took part in several seminars in

kind of dialogue investors and funds should engage in around the theme was published in June 2018.

Elo's representatives also took part in Tokmanni's Responsibility Advisory Board and the Board of Directors and working groups of Finland's Sustainable Investment Forum (Finsif).

on the low carbon and positive impact benchmarks. Elo considers extensive ESG benchmarks to be viable options in the future, and we will consider adopting them once alternatives suiting us enter the market.

### **Openness as the starting point of own reporting**

In its own reporting, Elo complies with the regulations set for it as an employment pension company and its own openness principles. Elo reports annually on the achievement of the objectives of responsible investment on Elo's responsible investment website, Elo's annual and responsibility report and in the non-financial disclosures in the Board of Directors' Report. As a signatory to the PRI, we also annually report to the PRI, and as a signatory to the Montreal Pledge, we are committed to annually report our carbon footprint. In the 2018 report, the PRI ranked almost all of Elo's asset classes in the best categories. The assessment of the responsible investment strategy and governance remained in the best category.

### **Risk management as part of responsible investments**

Elo is committed to investing the assets it manages responsibly in accordance with a systematic investment process and considering the responsibility of investments as part of investment decisions. Elo's Principles of Responsible Investing, ownership policy and climate strategy lay the foundation for risk management in responsible investing. The assessment of the responsibility of investments takes place by reviewing

**“ As a signatory to the Montréal Pledge, we are committed to annually report our carbon footprint.**

the sector in Finland and abroad during the year.

Elo has taken part in the preparation of national legislation in cooperation with the Ministry of Finance, Finnish Pension Alliance TELA and Ministry of Social Affairs and Health in conjunction with the European Commission's new SRHD II ownership steering directive that the EU member countries are required to implement by June 2019. Finland's national legislation process is still in progress.

During 2018, Elo was involved in a working group comprising member companies of Finance Finland preparing a climate change indicator recommendation. The recommendation is based on the reporting guidelines prepared by the TCFD.

Elo was a member of the PRI's Private Equity Monitoring and Reporting working group, established in 2017. As the result of the working group's efforts, a practical guide on how to approach responsibility, how to report and what

### **European Commission's Action Plan on Sustainable Finance has significant impacts**

In March 2018, the European Commission published the Action Plan on Sustainable Finance that aims to mobilise private capital flows towards combatting climate change. Legislation proposals have been issued on three measures of the plan. These include sustainability classifications for determining environmentally sustainable business. They are used in the classification of environmentally-friendly investments. Requirements for institutional investors to report on sustainable investments will be increased. All investors must transparently report the practices and processes for considering ESG aspects in the investment process and the expected return impact with regard to the ESG risks, regardless of whether the investor has sustainability goals. Elo has taken part in the working group for the third area, drafting of benchmarks, working

DID YOU KNOW?

## TAKING THE PRICING OF CLIMATE RISK INTO CONSIDERATION IN THE VALUATION OF AN INVESTMENT:

*Pricing climate risk is very challenging due to its diverse nature. The impacts of climate change and measures to mitigate it involve uncertainty, which makes it difficult for an investor to assess the risks of climate change to an investment in monetary terms.*

*The appropriate climate risk metrics are still being developed, and therefore the same probably also applies to the ability of the investment market to correctly price climate risk. From the point of view of an investor, the question is about the climate risk associated with an investment and whether it has been adequately considered in the share price of the company.*

their environmental and social responsibility and corporate governance. In portfolio management, the aim is to identify each company's material ESG aspects and assess the company's ability to manage them.

Regular meetings and dialogue with the investment targets and open communication about responsibility-related themes are a key part of the risk management relating to investments. In addition, we continuously develop the risk analysis of investments and investment portfolios. Exclusion is also one way to manage responsibility-related risks.

reasonable with also taking other investment perspectives into account. We have committed to measure the carbon footprint of our investments annually as a signatory to the PRI Montréal Pledge.

Elo has reported the carbon footprint of its direct equity, fixed income and real estate investments since 2015. In 2016, the calculations were expanded to also cover all listed equity investments, and also took into account the carbon sink of forest investments as a positive impact on climate for the first time. In 2017, the coverage of carbon footprint calculation was extended further to also include

“ **The climate strategy is aimed at managing climate risk – sustainable returns through sustainable business.** ”

### **Climate strategy manages climate risk**

The significance of physical impacts of climate change increase with the length of the time horizon of the assessment made. This also applies to investments – the longer-term the investment, the more important it is to consider the physical impacts of climate change. Different climate warming scenarios also require different ways of risk management reviews between physical and transition risks.

In Elo's climate strategy, we have set the objectives to both support our investments in achieving sustainability goals and avoiding excessive climate risk. We aim to reduce the carbon risk of our investments whenever

fund investments in addition to direct investments.

Each year, we calculate and report the carbon footprint of our investment portfolio, and we use the results as part of the assessment of carbon risk. Elo has also joined the Energy Efficiency Agreements for the real estate sector, with the savings target for 2017–2025 being a minimum of 7.5 per cent of the annual energy consumption. We also aim to reduce carbon risk with regard to external fund managers. Our objective is for each of our external fund managers to commit to considering the risks of climate change in their investments by the year 2020.



## CASE

### ACCORDING TO WWF, ELO'S PORTFOLIO IS QUITE WELL ALIGNED WITH THE PARIS AGREEMENT CLIMATE GOALS

*WWF published a survey of European institutional investors' investment portfolios in December 2018. According to WWF, Elo's portfolio is quite well aligned with the Paris Agreement climate goals. Engaging with investment targets and decision-makers together with the investor community is a key tool in developing Elo's portfolio.*

*WWF's scenario analysis reviewed what major European investors' equity and corporate bond portfolios will look like from the point of view of climate change five years from now, and how the structure of the investment portfolios is aligned with the goals of the Paris Agreement. The survey was more extensive than WWF's 2017 study; in addition to equity investments, corporate bonds were also taken into account. This time, the investments were compared with 1.75°C climate warming instead of the previous 2°C.*

#### **Diverse review of carbon risk**

There is no one and only metric for assessing climate risk, and therefore Elo aims to consider the carbon risk of investments as diversely as possible. Carbon footprint is an important metric in reviewing climate risk. However, it does not tell the whole truth about the climate impacts of Elo's investments. There are major differences between different sectors in terms of their energy intensity, and the calculation methods vary.

Our forest assets have an opposite impact on climate risk. We also consider the carbon sink of our forest investments as part of our carbon risk analysis.

With regard to the carbon risk of our investments, we assess the level of the risk, its development direction and the ranking of particular investment target within its sector. We continuously develop ways of assessing the risks related to climate change to further reflect the risks in the different asset classes, sectors and companies. Our goal is also to be able to assess whether carbon risk is sufficiently taken into consideration in the valuation of our investments.

#### **Scenario analysis is one of the tools of assessing the impacts of climate change**

In 2018, Elo began to work on a scenario analysis concerning all of Elo's managed assets. The work will continue in 2019, and we will also report on it as it progresses. The aim is to utilise the results of the scenario analysis in understanding climate risks and develop our own analysis of the impacts of climate change.

Scenario analysis is a tool that is based on a forward-looking analysis of alternative future scenarios. To investors, scenario analyses provide an opportunity to review both the physical impacts of climate change and the changes brought about by the transition to a low-carbon society. The scenario analyses used by investors typically utilise both economic and environmental data and analyse the returns of investment portfolios in different alternative climate warming scenarios.

Scenario analyses are a good tool that provide increasingly comprehensive estimates of the risks and possibilities created by climate change. Higher-quality scenario analyses would also require increasingly transparent reporting from companies, especially with regard to climate risks. We use scenario analyses as a tool among others in assessing the risks and opportunities of climate change.

Availability of consistent and comparable information is a key factor in enabling investors to assess the effects of climate change. Elo publicly supports the TCFD's reporting recommendations. A joint global reporting framework, created for both companies and investors, offers necessary understanding on climate risks and opportunities. Reporting climate issues also supports awareness of climate issues within companies so that they are integrated into company strategy.



### Monitoring solvency is part of risk management

The aim of Elo's investment risk management is also to safeguard solvency in all circumstances. In a rapidly changing investment environment, it is important to be capable of anticipating and preparing for any unexpected changes. The employment pension industry has a shared solvency framework model that is intended to cover losses from investment operations and to avoid sudden fluctuations in the level of insurance contributions. We prepare for the risk of investment operations by monitoring the overall risk exposure. We continuously monitor indicators of solvency, such as the amount of solvency capital and risk indicators of different asset classes. Elo's solvency ratio decreased clearly in 2018 compared to the level at the end of 2017. The solvency capital totalled EUR 3,935.1 million at the end of the year. The solvency ratio was 120.6 per cent. The solvency capital was 1.6 times the solvency limit.

### Coverage of norm violation monitoring process (%)

	2018	2017
Equity investments (%)	95	85
Corporate bond investments (%)	87	88
Investment assets total (%)	41	40

(FS11)

### Share of investments with positive solutions on environment or society (%)

	2018	2017	2016
Equity investments (%)	45	34	24
Corporate bond investments (%)	53	34	22
Infra and real investments	44	44	40

(FS7, FS8)

### Metrics and objectives

Elo has set several objectives and metrics for assessing the realisation and development of responsible investment. The metrics of responsible investment can be divided into monitoring norm violation, reporting on the development of carbon footprint, monitoring the positive impact of the investments and ownership steering metrics. In addition to them, engagement is also monitored.

### Measuring general responsibility of investment targets

The responsibility of investment targets is assessed in each asset class in a way suitable for the particular investment target. 94 per cent of listed equity investments and 86 per cent of listed corporate bond investments hold an ESG classification. (FS11) We monitor norm violations with an international service provider's information service. If the investment does not meet Elo's responsibility principles, we are able to commence the engagement

process when it is reasonable, considering the real influencing possibilities.

In addition, we monitor excluded industries: companies manufacturing controversial weapons and tobacco companies. In 2018, there were a total of 76 companies excluded from investment targets based on our exclusion criteria.

### Positive impact on environment and society

The long-term objective of our climate strategy is for a significant portion of our investments to be aligned with the UN's Sustainable Development Goals, meaning that they will produce positive solutions for the environment and/or society. (FS7, FS8) This objective applies to direct equity and corporate bond investments and all infrastructure and real asset investments. In addition, we have set as an objective that fund managers commit to take climate change into account by 2020.

### Fund managers' climate strategies (%)

How many of the external fund managers take climate change into consideration in their investments

	2018
Equity funds	100
Corporate bond funds	95
Infrastructure funds	69
Real estate funds	67
Private equity funds	27

## Ownership steering and engagement

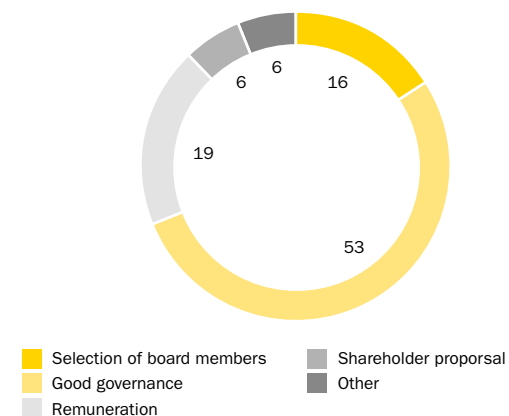
Elo primarily exercises its shareholder rights in three ways: by attending the general meetings of the companies in which it is a shareholder either by itself or through a partner, participating in nomination boards and engaging in regular dialogue with the management and, if necessary, with the Boards of Directors of the companies. Where necessary, we vote in deviation from the proposals of the Board of Directors at general meetings. In 2018, Elo was represented on the nomination boards of seven companies in Finland.

In 2018, we voted against the Board's proposal in

questions relating to e.g. good corporate governance, remuneration and the election of Board members in a total of 32 agenda items at 17 per cent of the general meetings we attended. For example, we voted in deviation of the Board's proposal in a case in which the CEO of a company was also proposed to be elected as Chairperson of the Board.

We meet regularly with representatives of the management of the companies in which we hold an interest. One of the purposes of such meetings is to ensure that the company operates on a sustainable basis and meets the responsibility requirements we have for our

## Voting at general meetings against the Board's proposal (%)



Attendance at general meetings (% , number)	2018	2017
<b>Direct equity investments</b>		
Attendance at general meetings in and outside of Finland (number)	111	85
Attendance at general meetings in Finland (%)	95	~100
Attendance at general meetings outside Finland (%)	50	
<b>Unlisted investments</b>		
Attendance at general meetings (%)	56	65
Coverage of investment assets (%)	98	98
<b>Associated companies related to real estate investments</b>		
Attendance at general meetings (%)	96	
Attendance at general meetings (number)	24	
<b>Infrastructure investments</b>		
Attendance at general meetings (%)	100	75
Coverage of investment assets (%)	100	90

(FS10)

## Q&A

### WHAT IS CARBON FOOTPRINT?

*Carbon footprint refers to the burden of a product, activity or service on climate, i.e. how much greenhouse gases are emitted during the life cycle of the product or activity. Sometimes carbon footprint only refers to carbon dioxide emissions instead of overall greenhouse gas emissions. Typically, three scopes (scopes 1–3) are taken into account in calculating carbon footprint. Scope 1 includes direct emissions. Scopes 2 and 3 are comprised of indirect emissions, of which scope 2 includes the energy procured by the company and scope 3 a number of other emission sources, such as emissions relating to products, outsourcing and business travel.*

## Q&A

### WHAT IS CARBON INTENSITY?

*Carbon intensity refers to a company's greenhouse gas emissions in ratio to turnover (tCO<sub>2</sub>/€ or USD).*

investments. During 2018, we engaged in dialogue with more than 250 companies either by ourselves or together with other investors. Of these cases, 160 were related to climate change. **(FS10)**

We also engage with external fund managers. We regularly meet the fund managers and depending on the fund discuss its investments in general, individual companies, how the manager realises the ownership policy or other responsibility-related aspects. Of the active equity and corporate bond funds that we use, 97 (92) per cent had signed the UN Principles of Responsible Investment (PRI) in 2018.

### Extensively calculated carbon footprint

As our ongoing objective, we strive to ensure that our investments don't contain excessive climate risk. We commit to measuring the carbon footprint of our investments as a signatory to the PRI Montréal Pledge. We published the first report on the carbon footprint of our managed assets in November 2015. We also consider the carbon sink of our forest investments as part of our carbon risk analysis. The carbon footprint calculations are based on the data available to Elo. Carbon intensity is calculated based on the ratio of carbon footprint to the company's turnover. This allows comparing the carbon footprint of companies of different sizes.

In 2018, the carbon footprint of Elo's equity investments was, by all indicators, approximately 10 per cent lower than the benchmark index of Elo's equity investments. The carbon footprint calculation covers 48 per cent of Elo's investment assets.



## Carbon Footprint of Investments (GRI 305-1 & 305-2)

Investment portfolio's carbon footprint (Scope 1 & 2) and (GRI 305-4) Carbon intensity (CO<sub>2</sub>e /million USD/EUR)  
©2017 MSCI ESG Research

Listed equity investments	2018	2017
Carbon footprint (tCO <sub>2</sub> e/invested MUSD)	180	154
Carbon intensity (tCO <sub>2</sub> e/sales MUSD)	215	230
Portfolio weight-adjusted carbon intensity (tCO <sub>2</sub> e/ sales MUSD)	219	256
Carbon footprint data coverage	95%	89%
Listed corporate bonds	2018	2017
Portfolio weight-adjusted carbon intensity (tCO <sub>2</sub> e/ sales MUSD)	225	308
Carbon footprint data coverage	88%	89%
Direct real estate investments	2018	2017
Carbon footprint (tCO <sub>2</sub> e)	25,089	22,456
Normalised carbon footprint (tCO <sub>2</sub> e/sales MEUR)	17	16
Carbon footprint data coverage	70%	76%
Carbon sink impact of forest investments	2018	2017
Carbon sink of forest investments (tCO <sub>2</sub> )	220,000	175,000
Carbon storage of forest investments (tCO <sub>2</sub> )	5,800,000	4,400,000



### "SUSTAINABLE BUSINESS CREATES SUSTAINABLE RETURNS"

*The investor community still has a lot of work ahead. However, through joint engagement, collaboration and sharing best practices, we have a chance to succeed.*

[\*\*ELO BLOG 19 JUNE 2018 \(IN FINNISH\) >\*\*](#)

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# Real estate investments

**Responsibility is an integral part of Elo's day-to-day real estate investment operations. Responsible ways of working also influence the development of the entire sector.**

As one of the biggest real estate investors in Finland, Elo has good possibilities for concretely realising responsibility and developing responsible real estate business. The criteria for responsible real estate operations are also considered in partially owned investments and indirect real estate investments.

Elo has joined the Energy Efficiency Agreements for both Rental Housing Properties and Commercial Properties, and the goal is to reduce energy consumption by 7.5 per cent by the year 2025. Energy-saving measures have already been taken in the property portfolio, and more detailed energy efficiency plans will be prepared during 2019.

Within facilities management, one focal point is to minimise the environmental loading of our investments. In terms of real estate properties owned by the company, Elo invests in measures to reduce the energy and water consumption and carbon footprint, and to advance waste management and recycling. These consumption figures are measured and monitored property-specifically.

Social responsibility is ensured by complying with the standards and norms applicable to the real estate sector in all activities connected to the management of the real estate portfolio, such as developing and property appraisals. Prevention of informal economy plays a key role in choosing partners for projects. Both construction companies and maintenance service providers are regularly checked in databases to verify that the partner meets their obligations towards the society.

## **Investments made in enhancing energy efficiency in 2018**

The project to install water-saving fixtures launched in 2017 was continued, and they had been installed in more than 30 sites by the end of 2018.

The development of energy efficiency solutions was continued at Shopping Centre Sello by joining a virtual power plant. The property is home to the largest integrated electricity storage facility in Northern Europe. The solution can level electricity consumption peaks, and should they

become more commonplace, such solutions will decrease the need to invest in backup power plants.

Temperature and moisture sensors were installed in a thousand apartments during the year, allowing more accurate adjustment of the temperature in the buildings. In addition, the sensors are also utilised more extensively in monitoring living conditions. For example, ventilation malfunctions can be brought to the attention of the maintenance service faster, thereby allowing faster repairs. Thus, in addition to saving energy, it also increases living comfort.

Elo took part in the Energy Awareness week again. The week encouraged the customers of the properties to influence energy efficiency by their own action as well.

## **Responsible investment instructions were prepared for real estate investments in 2018**

Responsibility is an integral part of Elo's real estate investment operations, and financial, social and environmental responsibility also play a significant role



in the risk management of real estate investments. The aspects of responsibility are considered in the entire value chain of the real estate business from examining new investments and specifying the investment criteria to the continuous development of existing investments and their management.

2018 also saw a responsibility survey of the fund managers of Finnish indirect investments. The survey investigated, among other things, the fund managers' commitment to responsibility initiatives and mitigating the impacts of climate change. Based on the survey, fund managers have extensively recognised the importance of responsibility and mitigating climate change. Fund managers are encouraged to take these matters into consideration in their operations.

**Energy efficiency, solar energy and customer experience will be emphasised in responsibility efforts in 2019**

Installations of charging points for electric vehicles will continue in commercial properties during 2019, and we will also invest further in preparing for future requirements in this respect in both designing new developments and developing existing properties.

A survey of buildings in which solar energy can be utilised efficiently was conducted among Elo's property stock during the year. The first large-scale solar power projects are to be launched based on the survey in 2019.



**“ Elo has joined the Energy Efficiency Agreements for both rental housing properties and commercial properties, and the goal is to reduce energy consumption by 7.5 per cent by the year 2025.**

Key environmental figures of direct real estate investments (GRI 302-2)	2018	2017
The normalised energy consumption of direct real estate investments (MWh)	125,974	121,224
Water consumption of real estates (m <sup>3</sup> )	423,386	421,959
Amount of waste, office spaces (tonnes)	985	–
Rate of recycling (%)	51.2	–



**”GREAT WORK, GROWTH CITIES! I WAS WRONG”**

*One of the goals of our real estate investment operations is to increase the number of rental apartments. The blog discussed the problematics of land use planning.*

**[ELO BLOG 27 JUNE 2018 \(IN FINNISH\) >](#)**

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The utilisation rate of waste will be developed by improving recycling opportunities, among other measures. Renovations of waste facilities and more detailed reviews of waste flows will also contribute to more efficient waste sorting.

The energy monitoring system was developed significantly during 2018 by adding sites to the scope of hourly monitoring. In the future, it will be used to further develop the efficiency of the energy management operating models.

#### **Interaction enhances customer experience**

We find that continuous dialogue with our customers is important. Social responsibility includes regularly monitoring customer experience and assessing the operations of service providers to continuously enhance

service quality. The development of regular customer satisfaction monitoring will continue in 2019 in cooperation with manager partners.

Metrics of the quality of operations were also adopted with the largest manager partner in 2019. In addition to customer satisfaction, they include metrics for energy efficiency and quality of maintenance service providers. In addition, committing the partner even better to compliance with Elo's Code of Conduct by way of an online training environment was set as a separate goal for next year.

**“ Temperature and moisture sensors were installed in a thousand apartments during the year, allowing more accurate adjustment of the temperature in the buildings. ”**





# Responsibility in customer relationships

**Employees' statutory pension insurance is arranged through TyEL insurance and self-employed persons' pension insurance through YEL insurance. We at Elo are tasked with providing our customers with excellent service in matters relating to employment pension insurance.**

Professional expertise, taking responsibility and caring are key to our customer service. This aims at an excellent customer experience, with strong professional expertise in employment pension insurance, keeping promises and flexibly taking the customer's situation into consideration at the core.

The fact that approximately one in three companies and approximately 40 per cent of self-employed persons have selected Elo as their employment pension insurer is an indication of the confidence our customers

have in Elo. At the end of 2018, Elo was responsible for the pension insurance of about 84,000 self-employed persons and for the employment pension insurance taken out by 46,000 employers, covering a total of approximately 520,000 people.

Elo's in-house service is supplemented by close and good cooperation with our partners Fennia, LocalTapiola and Turva. Our partners' service network guarantees that employment pension insurance services are available across Finland.

**Specialist in employment pension insurance**



### Our customers value our service highly

Elo has identified customer experience as a key factor in success, and we have been working systematically for several years to enhance customer experience. The quality of our customer service is the result of several elements. Key factors include speed, resolving matters in a single call and genuine caring and interest in the customer's situation. Underlying it are well-functioning service processes and information systems. We continuously

2018, Elo's insurance services won the small and medium-sized companies' customer service category of Bisnode's Customer's Voice competition with a score of 84.1. The results were based on a comparison of NPS scores of different customer services for 2017. The award proves that high-quality customer encounters are the starting point in our day-to-day work. The continuous high quality of customer service is also proven by the fact that the NPS for 2018 was still excellent, 84.0. In connection with the NPS survey, our customers may also provide open-ended

“ **The NPS score of customer service was excellent 84. Our customers value expertise, friendly service and speed.** ”

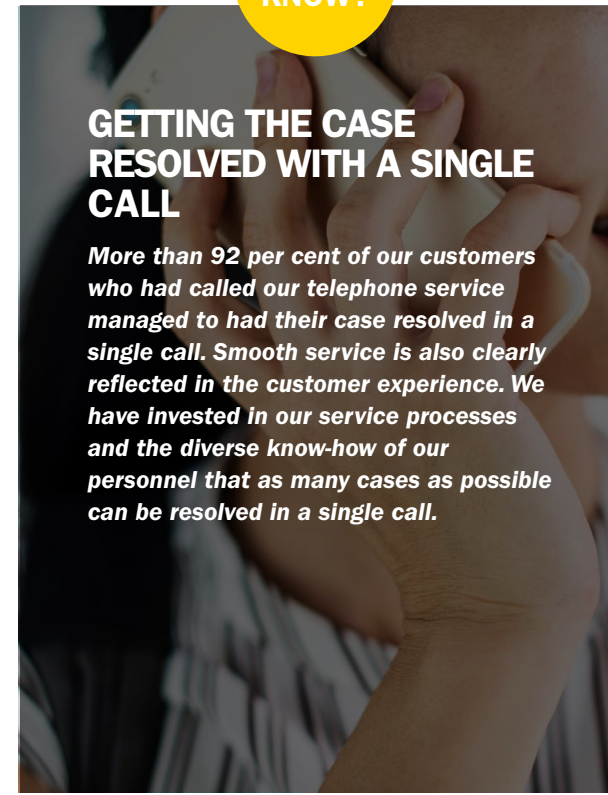
develop our services using analytics and robotics, among others. As a result of automation, the average processing time of insurance policies has shortened year by year. The majority of new TyEL and YEL insurance policies enter into force automatically after the application has been submitted, and additional manual checks are not needed.

In 2018, our insurance services received a total of some 97,000 customer service calls, and our answering rate was very high, almost 98 per cent. The average waiting time was 27 seconds, and at less busy times, even under 20 seconds.

We measure the customer satisfaction of our telephone service by way of the net promoter score (NPS). In May

feedback on our service. In particular, short waiting times, expertise, flexibility and friendliness were emphasised in the feedback. **(GRI 102-44)**

In addition to telephone service, we provide an online service, which is used by more than 78 per cent of our TyEL customers and approximately 64 per cent of our YEL customers. Even though following the adoption of the national income register, TyEL income will be reported to the income register instead of Elo, our online service will continue to provide employer customers with many useful services. The online service will also continue to provide familiar services to our self-employed customers. Self-employed persons can also manage their YEL insurance-related matters with the Yrittäjän mobiili app.



### GETTING THE CASE RESOLVED WITH A SINGLE CALL

*More than 92 per cent of our customers who had called our telephone service managed to had their case resolved in a single call. Smooth service is also clearly reflected in the customer experience. We have invested in our service processes and the diverse know-how of our personnel that as many cases as possible can be resolved in a single call.*

## CASE

### SUBSTITUTING E-INVOICES FOR PAPER INVOICES

*Our proactivity was successful, and our customers increasingly adopted e-invoices. We activated e-invoicing on behalf of the customer, provided that the customer had a valid e-invoicing address. Our customers were satisfied with our service. Our customers can also adopt e-invoicing by themselves in conjunction with an electronic TyEL and YEL insurance application and through our online service. In fact, the share of e-invoicing grew strongly during 2018 in both TyEL and YEL invoices. E-invoicing is part of our responsibility, as it benefits our customers through increased operational efficiency and reduces the environmental impacts caused by paper mail.*

#### **Our customers benefit from the efficiency of our operations**

In employment pension insurance companies, both operational efficiency and the company's solvency have impacts on the customer bonuses which reduce the employer's final insurance contribution.

The measurement of efficiency is based on the expense loading ratio, which indicates the ratio between expense

During 2018, we exerted influence actively in the employment pension industry's joint working groups relating to the building and adoption of the income register to ensure the best possible quality of the project outcome. We also made a lot of modifications and updates to our own systems and provided extensive training to our personnel. Our goal was to be able to advise our customers not only with regard to amendments to



**High-quality customer encounters are the starting point in our day-to-day work.**

loading and the share of it used to cover operating expenses. In 2018, Elo's operating expenses were 74.9 per cent of the premium expense loading. For 2018, Elo will transfer EUR 71.9 million to customer bonuses, in other words 0.54 per cent of the TyEL payroll.

#### **Supporting our customers in the introduction of the national income register**

The income register was adopted on 1 January 2019. In the future, all employers will report their employees' income data to a single income register. The notifications submitted to the income register will replace previous notifications submitted to the employment pension insurance company and the Tax Administration, among others. Elo obtains the information required for employment pension insurance purposes which Elo is entitled to receive based on legislation from the income register.

employment pension insurance but also in basic questions pertaining to the income register itself.

We considered it particularly important to communicate about the change well in advance. Throughout 2018, we communicated about the income register to our customers through different channels, such as about how to prepare for the introduction of the income register, the measures the change will require from our customers and the impacts of the income register on employment pension insurance and Elo's services. We wanted to support our customers in the adoption of the income register and help them to make it through the transition phase as smoothly as possible.

The income register also allows every income earner with access to data about their own income paid on or after 1 January 2019.



## Financing solutions to accelerate companies' growth

**Together with our financing partners, we provide diverse individual financing solutions that take our customers' needs into account to support the growth and competitiveness of Finnish companies.**

The primary financing products are relending and investment loan, as well as SME loan for the financing needs of small and medium-sized enterprises. In addition, our financing portfolio includes mezzanine financing and equity investments. Companies can apply for Elo's financing for investments, mergers and acquisitions, rearrangement of ownership and financing, international growth and working capital needs.

We offer supplementary financing together with other financing provides, such as banks, accident insurance companies, Finnvera and Garantia.

## Elo is an important real estate owner and lessor

**Elo is one of Finland's largest real estate owners and lessors. We own a total of more than 7,000 rental flats and approximately 600,000 m<sup>2</sup> in office space.**

We mostly invest in real estate with good public transport and bicycle and pedestrian traffic connections, in urban centres integrated closely with urban structure and in transport hubs.

Some 800 Finnish companies operate in Elo's premises. We can offer modern and modifiable alternatives for companies large and small. Our goal is to provide our customers with optimum conditions for operating in our premises. We offer various office spaces, space in shopping centres and other commercial space and logistics and warehouse space.

During 2018, a total of 200 new apartments were completed at two sites in Espoo and Kerava. In addition, there are approximately 70 new rental flats under construction in Pähkinärinne, Vantaa.

Elo is also an active real estate developer. Our development and modernisation projects focus on energy-efficient and sustainable solutions. We operate responsibly to minimise the environmental load of our real estate and to guarantee high customer satisfaction.

# Good working capacity helps to extend careers

**We engage in close information- and needs-based cooperation with our customers and foster strong expertise in working capacity management.**

Disability risk management helps a company's management to prevent premature interruptions of careers, reduce the costs of disability pensions and sick leaves and manage working capacity strategically throughout the careers of employees. Systematic and goal-oriented working capacity management ensures the personnel's capacity and motivation for working to achieve the company's objectives. The purpose of Elo's working capacity management is to help to secure our customers' expertise in working capacity management and thereby the success of their business.

The guidelines and reporting regulations on the management of risks related to disability by employment pension insurers issued by the Financial Supervisory Authority guide our development and offering of well-being at work services in part. According to the guidelines, the costs of activities aiming to manage the risk of disability may only be covered with the disability risk management contribution included in the TyEL insurance contribution. The guidelines also require customers to contribute to the costs of working capacity projects with at least the same amount as the employment pension insurance company.

The aim is to ensure that our customers' working capacity programmes partly funded by Elo support extending careers, thereby lowering disability pensions.

## **Supporting business management in the transformation of working life**

The transformation of working life and increase in the pensionable age are material challenges to working capacity and extending careers. As old job descriptions are eliminated, new ones emerge, requiring new types of expertise and continuous learning throughout the career. Employers, supervisors and the employees themselves have a lot of responsibility for maintaining competence. Our experts on services for workplace well-being are management's partners who help to manage personnel risks.

The preconditions for a career to be as solid as possible are laid already at the first workplace. Therefore, it is important for young people to find their place in working life as early as possible. Along the career, there will be

situations in life with diverse effects on working capacity, and they can require at least flexibility in working hours or retraining, for example. We support our customer companies in working capacity management, which provides them with tools and means for supporting the working capacity of employees both early in their careers and in extending careers until retirement.

In the tightening global and domestic competition, skilled employees are the most significant competitive advantage for businesses and Finland. At the individual level, work supports holistic well-being. In addition to earning a livelihood, work offers opportunities for development, social relationships and moments of success. Well-being and motivated employees are vital to every organisation and a prerequisite for success. They are productive and committed to the workplace, which improves the competitiveness of companies. In addition, employees who feel good are less frequently absent from work, which provides savings in sick leave expenses. Well-being at work also prevents incapacity for work.

## Working capacity management is an essential part of companies' strategy

Working capacity management is a preventive, goal-oriented and long-term activity carried out by several parties in cooperation to promote employees' working capacity and management's ability to manage work. Working capacity is the result of working capacity management. Concrete results are seen in sickness absence and disability costs and the productivity of the company. Successful working capacity management ensures that employees are able to succeed at work and that the company can meet the targets it has set.

We offer various customised tools, training and expert support for different sizes of companies in different phases of growth to assess their strengths and personnel risks. Our experts on services for workplace well-being are management's partners who help to manage personnel risks. Thanks to our network, we reach our customers across Finland. Our local experts receive excellent feedback from our customers as well as partners.

During 2018, we carried out several workplace well-being projects with our customers. It is important that companies target measures to identified working capacity risks, carry them out systematically and monitor their results.

We continuously monitor the effectiveness of our work with several tools. In 2018, the net promoter score (NPS) of customers who responded to our customer service survey (n=139) was 92. **(GRI 102-44)** With the working capacity management tool in Elo's online service, we assess the effectiveness of projects realised in cooperation with our customers and the experience gained from them. We use the tool to review which measures performed well, which should be developed further and which are not worth doing again.

The work community indicator used by Elo was adopted in 2017. The survey has already been used by approximately 250 customer organisations, most of which conduct the survey regularly at an interval of 1–2 years to monitor the development of well-being at work in the work community. So far, approximately 16,000 people have responded to the survey.

## Training provides insight and certainty into working capacity management

During 2018, we organised a total of 35 working capacity management training sessions and webinars open to all of our customers. Representatives of approximately 700 customer companies attended the events in 11 locations around Finland.

The content of the training sessions is built based on our customers' needs. The training provides resources for challenging situations in managerial work, early support of the employee, mentoring leadership and encountering young employees, among other things. Our customers considered the well-being at work training to be high-quality and useful. In particular, they valued the topical themes, expert instructors and the tools the training provided for their own work. The attendees gave the training an average score of 4.4 on a scale of 1–5, and 94.3 per cent would recommend it.

Elo arranged the Super Specialist in working capacity management training for the first time in 2018, and we invited 74 persons responsible for working capacity management at our customer companies to attend. It is a training package that lasts for around a year, and it helps to get the company's working capacity risks and resulting costs under control. The purpose of the training is that the attendees will promote systematic working capacity management in their organisation, making use of their



BLOG

### **"DEPRESSED EMPLOYEES SHOULD ALSO HAVE A PLACE IN WORKING LIFE"**

*A responsible workplace also supports its employees with mental health issues.*

**[ELO BLOG 14 SEPTEMBER 2018 \(IN FINNISH\) >](#)**

## CASE

### SUPPORT FOR WORKING CAPACITY

*In 2018, approximately 29 per cent of disability pensions granted were due to mental health issues. They increasingly cause temporary and permanent incapacity for work. When the constraints on functional capacity caused are taken into consideration at the workplace, it is also possible to continue working while depressed in most cases.*

*In 2018, we published a guide based on an original Canadian guide. It is intended for the use of all those at the workplace who can support depressed people and help them to cope at work despite their symptoms or return to work following an episode of depression.*

*The guide compiles the best research-based evidence with information based on professionals' expertise and experiences of people who have been suffering from depression. With the practical tips of the guide, workplaces can develop better operating models for managing depression-related incapacity for work. The guide is available for customers to download via Elo's online service.*

partners and Elo's working capacity management tools.

In addition, the training provides resources for investigating the company's needs for development and targeting actions so that they can have effects on incapacity for work risks. The training is comprised of four days and the attendees' working capacity management development assignment.

**“ The transformation of working life and increase in the pensionable age are material challenges to working capacity and extending careers.**

The attendees have given very positive feedback on the training. Our customers have considered the training package to be very good, and they have received concrete ideas and peer support for their own work, as well as working capacity management tools for the company's practices. The average NPS for the first Super Specialist in working capacity was 76.

#### Effective methods and tools

We want to ensure that the effectiveness of projects and measures is strongly emphasised in our working capacity management services. During 2018, we continued close cooperation with the Finnish Institute of Occupational Health to provide workplaces with research-based working capacity management tools. In particular, we invested in “Työuran uurtaja”<sup>®</sup> (TUURA) training: during the year, we arranged three mentor training sessions in cooperation with the Finnish Institute of Occupational Health and took part in five peer group trainings.

Those responsible for working capacity management at our customers who have completed the “Työuran uurtaja” mentor training can organise peer training in their respective organisations. Peer training helps employees who have encountered working capacity challenges to personally recognise ways develop their competence and perceive how they could adapt their job descriptions to match their working

capacity. Where challenges relating to one's own health or competence previously seemed overwhelming, the lessons learned from the training can create hope and excitement about the future.

The cooperation with the Finnish Institute of Occupational Health will continue in 2019 by way of joint training sessions and “Työuran uurtaja” trainings, for example.

#### Service development and local expertise for the needs of our customers

Our working capacity management online service provides information and tools for day-to-day managerial work and development of well-being at work, such as the working capacity management handbook

By using our online service, our customers gain an overview of the current state of the company's working capacity management in a single glance. Companies can monitor the costs caused by disability pensions in more detail and better foresee them. As a whole, the service



guides to more strategic working capacity management and preventive work, which in turn provides predictability and cost savings.

In 2018, we strengthened our regional well-being at work expertise in the western Uusimaa region, Southwest Finland and Satakunta.

SMEs are major employers across Finland. To better serve our SME customers, we developed a team focusing on them, and its combined expertise responds to the needs of SMEs.

#### **Encouraging work community, good managerial work and flexibility support young people**

We are taking part in S Group's extensive three-year "Nuori Mieli Työssä" ("Young Minds at Work") programme. In 2018, the Finnish Institute of Occupational Health will carry out a survey among the employees of S Group aged under 25 in cooperation with Elo and S Group. The goal of the survey was to find out young people's expectations and wishes regarding working life and the state of working capacity and well-being at work in the retail sector. The survey results indicated that young people value a good and encouraging work community, good managerial work and the chance of balancing work and other aspects of life.

In addition, it was found out that young people generally have a good faith in their own working life skills. However, looking after the ability to cope with work, identifying own strengths and resolving work-related problems are difficult for young employees.

The project will continue next year by implementing the results in the day-to-day induction and managerial work in S Group. Furthermore, the results will be utilised more extensively in the benefit of Elo's customer companies as part of the training portfolio and information content.

#### **New discussion forums between generations**

In 2018, Elo organised the "Hulluna työelämään" (Crazy about working life) seminar tour. The morning sessions organised in eight different cities brought together executives, entrepreneurs and students to discuss future management in workshops.

Thanks to the tour, attendees representing different generations got an opportunity to build a better image of the expectations, operating methods and tools relating to working life and management for themselves and each other. The workshops formed student-manager mentoring pairs that are supposed to keep in touch for a year.

#### **Investigating entrepreneurs' prerequisites for success**

In 2018, we investigated the state of well-being at work among Finnish self-employed persons and various factors influencing it, such as entrepreneurial competence and personal resources, in cooperation with the Federation of Finnish Enterprises.

The entrepreneurs who responded to the survey can be divided into four groups: those excited about entrepreneurship (69%), those worrying about inadequacy (16%), those toiling under dark clouds (10%) and those who have arrived at a dead end (5%). Based on the results, the majority of entrepreneurs are satisfied with being entrepreneurs and feel the slipstream of work. For well-being entrepreneurs, particular success factors were the company's adaptability, financial and management expertise, sales and marketing skills, relationship with financing providers and the entrepreneurial activity being financially goal-oriented. The importance of networks was also emphasised.

The aim is to utilise the research results in creating entities that increasingly support and serve self-employed persons so that they can create prerequisites for success for their own business operations.

## CASE

### **PSYCHOSOCIAL STRESS IS EMPHASISED IN INTERACTION SITUATIONS AT WORK**

*A combination of interaction situations and specialist and information work can give rise to major psychosocial stress, which, if not kept under control, can have a detrimental impact on working capacity. In 2019, we will develop new deeper operating methods and aim to find research-based means for our customers to learn about psychosocial stress and its management in depth.*

*We will also invest in training focusing on mental health and develop tools for identifying risks with effects on mental health and assessing the effectiveness of measures. We will also continue the on-going intensive work to promote cooperation between well-being at work and vocational rehabilitation specialists.*



# We take care of current and future pensioners

**We are responsible for the pension security of 237,900 current pensioners and more than 520,000 future pensioners. In 2018, the pensions paid out totalled EUR 3,265 million.**

Retiring signifies a major change in a person's life. Working life becoming a thing of the past results in changes in our customers' social relationships, daily rhythm and personal livelihood. Major changes also have effects on the families of our customers. It is particularly important to our customers that we review the different pension-related options and related practical matters together with them. We want that using Elo's services is as effortless and flawless as possible and that all our customers are treated equally and fairly.

In 2018, we granted approximately 25,200 (26,100) pensions based on application, or approximately 3.5 per cent less than the previous year. To secure the continuity of our customers' livelihood upon retirement, our objective is to keep the pension application processing fast and the decisions high-quality and clear to the customer. We continuously monitor the quality of pension decisions to ensure that our customers receive correct and timely pension decisions.

Elo is one of the fastest companies in granting employment pension decisions. In 2018, we made pension decisions in 8 (11) days on average, which is 20 (25) per cent faster than the overall average for other employment pension companies. As the largest insurer of self-employed persons, we issued decisions on their applications 30 (33) per cent faster than the average for other pension companies.

#### **Better customer service through technology and human expertise**

Our customers deserve uncomplicated and expert service across all our channels. During 2018, we continued investments in multi-channel services and increasing ease of their use, especially online. Depending on the benefit, we receive 20–80 per cent of applications through electronic channels. Now, our customers applying for pension can have their application processed electronically

from start to end. In 2018, we adopted a paperless service option, allowing our customers to also receive the pension decision and pensioner's customer letters electronically instead of paper mail.

Our customers are very satisfied with the service they receive from Elo. In pension services, we answer customers' calls within 10 seconds on average and our response rate is 99 per cent. The NPS for our telephone service was 72.5. **(GRI 102-44)** Of the people responding to our pension service satisfaction survey, 86.2 per cent considered Elo very good. In particular, our customers have lauded us for our expertise, service attitude and availability.

In 2018, we continued the development and further expansion of our online service. We engaged our customers in developing the online service by e.g. expanding the collection of customer feedback, interviewing our customers and testing the ease of use

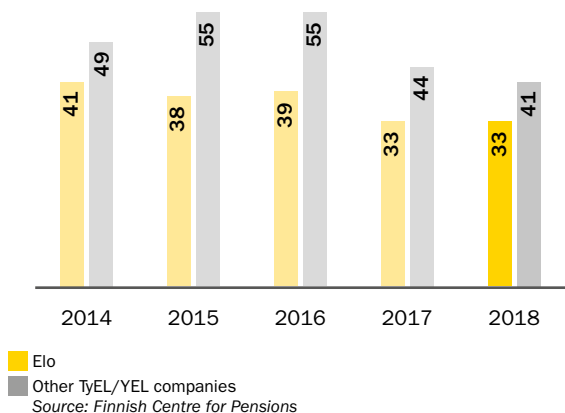
of the online service with our customers. The average net promoter score (NPS) among our customers for the online service was 55.2.

We continued to invest in developing our customer service culture by training our personnel in the telephone service in particular. We also expanded the chat service expertise of our personnel. We strongly strive for our employees' expertise relating to pensions and applying for them to be of as high quality as possible.

We utilise new technological solutions, such as robotics and data analytics, in building our services to increase the efficiency of our work so that our customers will receive faster and higher-quality pension decisions. Analytics makes the discretionary work of pension specialists easier and supports it. Analytics and robotics have also been introduced to support people in order to ensure the quality of decisions.

Thanks to automation, our customers can receive a decision on an application for partial early old-age pension already on the day of application.

**Pension application processing times, days**

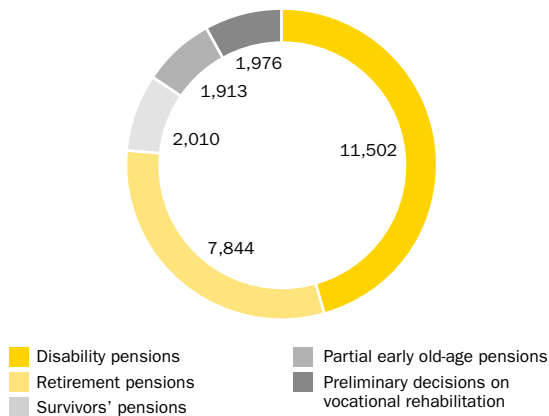


**Income register has effects on granting old-age pensions**

We prepared for the changes brought about by the income register extensively in 2018. The income register will also have effects on the processes of granting pensions. For us to be able to grant old-age pension and calculate its amount, the employer must report the termination of employment and last payroll data to the income register. Therefore, the income register has significant effects on granting old-age pensions and thereby our customers' livelihood.

As of the beginning of 2020, the income register will expand to also cover benefit data, meaning that also Elo will report paid pensions in the system. We will also use data reported by other payers of benefits, such as Kela, which will accelerate the pension processing and contribute to the correctness of decisions.

**Number of pension decisions by pension type**



**BLOG**

**"HEY, YOUNG PERSON, DO YOU KNOW AT LEAST THESE 5 THINGS ABOUT YOUR EMPLOYMENT PENSION SECURITY?"**

*Elo conducted a working life and pension survey for those aged 17–30, surveying young people's expectations for working life, pension knowledge and trust in the pension system." Only 10 per cent were well aware of how pension is accumulated.*

**[ELO BLOG 24 SEPTEMBER 2018 \(IN FINNISH\) >](#)**

# Rehabilitation makes returning to work possible

**A working career need not end prematurely due to reduced capacity for work. Vocational rehabilitation provides an opportunity to continue working through re-education or changes in entrepreneurial activity, for example.**

The goal of vocational rehabilitation is to prevent permanent disability by finding a suitable job for everyone where continuing to work is possible despite health restrictions. Vocational rehabilitation can be a work trial, job coaching or study support. In 2018, there were approximately 2,900 (2,900) people in Elo's vocational rehabilitation. Musculoskeletal disorders are the most common cause for rehabilitation. The most typical rehabilitation methods in 2018 were trial work and job coaching.

During 2018, 71 (74) per cent of those in Elo's vocational rehabilitation were able to return to the labour market. Success requires correct timing and an appropriate rehabilitation plan. On average, Elo processed

preliminary decisions on vocational rehabilitation in 19 (16) days.

In 2018, we issued 2,000 (1,800) preliminary decisions on rehabilitation applications. The decisions are a promise that rehabilitation will be provided. We also issued some 940 (some 980) preliminary decisions in conjunction with disability pension decisions when the requirements of rehabilitation were met. The total number of preliminary decisions increased from the previous year.

When the means of vocational rehabilitation are not enough to improve capacity for work, partial or full disability pension may be the right solution. In 2018, we made 11,500 (10,800) disability pension decisions by application, which is approximately 6.8 per cent more

than in 2017. Disability is usually brought about by musculoskeletal or psychological disorders.

The Pension Appeal Board changed only 8.8 per cent of Elo's disability pension decisions appealed by Elo's customers. For all pension institutions, the corresponding figure was 13.6 per cent. During 2018, Elo rejected 30.6 per cent of new disability pension applications. In total, pension employment companies rejected 31.6 per cent of new disability pension applications.

The number of disability pension applications increased in 2018. No obvious single reason for the increase in the number of applications was found. However, the number of applications for vocational rehabilitation has increased more than the number of disability pension applications.

## CASE

### PREVENTIVE CONTACT LOWERS THE THRESHOLD OF RETURNING TO WORK

*One of our most important daily tasks is to help our customers to understand their options in different situations in life. In spring 2018, we experimented with a model for taking care of rehabilitation customers, i.e. customers on fixed-term disability pension. Its aim is to ensure that our customers are aware of their options and benefits.*

*In the model, we individually contact our customers and survey their current situation, as well as help them move forward, if necessary. This way, our customers get a better chance of finding a suitable path for returning to work despite their illness. At the same time, we prevent marginalisation.*

*We have received excellent feedback for our contacts from our customers. In particular, our customers have lauded us for giving information in a comprehensible form, genuine caring and foreseeing needs.*

In 2018, we received 10.5 per cent more rehabilitation applications than in 2017.

It is our important task to ensure that employers understand the importance of surveying disability risks and preventing them. As part of our work, we aimed to make sure that employers are aware of the importance of regularly monitoring disability pension risks. We also support employers in preventing disability risks and provide them with ready-made practical tools for preventing disability.

#### **Smoother cooperation to support working capacity**

We continuously develop the service model we offer to employers. Our online service provides supervisors and HR with tools that help them to foresee, prevent and manage risks related to incapacity to work and the resulting costs. With the online service, companies get up-to-date information about disability pensions and benefits and the effectiveness of vocational rehabilitation. We also aim to make the use experience as smooth as possible to our customers.

It is important for Elo that cooperation with occupational healthcare providers, employers and Elo works seamlessly. We are developing a service model that facilitates the flow of information and accelerates the planning and implementation of measures to support and improve working capacity.

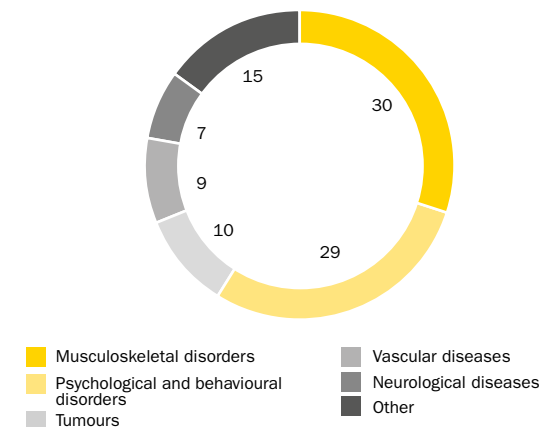
## BLOG

### ”VOCATIONAL REHABILITATION PROVIDES AN OPPORTUNITY TO CONTINUE WORKING”

*Life can be unpredictable. Rehabilitation is a good way of allowing continued working. From the point of view of livelihood, working is also a superior option to disability pension.*

[ELO BLOG 12 MARCH 2018 \(IN FINNISH\) >](#)

Medical reasons for new disability pensions granted in 2018 (%)





# Responsibility for the personnel

**We want to be an appreciated and developing work community where everyone can experience success. Implementing the vision in day-to-day work is our way of carrying our responsibility for the personnel.**

Elo annually prepares a personnel plan in cooperation with the employees. The goal of personnel planning is to ensure that Elo has the right number of the right type of people in the right positions at the right time. The plan takes into account needs relating to the development of competence, organisation of work, working capacity of the personnel and the resources needed. Elo's business strategy is a key starting point of personnel planning.

In addition to the personnel plan, Elo's HR work is significantly influenced by the equality plan, training plan, occupational well-being action plan and the results of the annual personnel survey as well as the development measures planned based on them. All of these are based on the cornerstones of Elo's corporate culture. The cornerstones of Elo's corporate culture are as follows: "Elo's business is my business" describes taking

**Personnel  
well-being and  
competence  
create customer  
satisfaction.**



responsibility, “Openness and trust” is about appreciation of each other and mutual trust, and “Customer and partner orientation” is about the importance of customers and supporting partners.

### **Equality is a prerequisite for diversity**

Elo conducted an equality survey in autumn 2018 for the first time. The survey was conducted in conjunction with the personnel survey, and 78 per cent of Elo employees responded to it.

At Elo, matters pertaining to equality are felt to be at a good level in general, as the averages for all responses were over 3 on a scale of 1–5. The best scores were for social interaction in all surveyed areas, i.e. between men and women, between people of different ages and between those in different types of employment relationships, and for the equality of minorities in social interaction.

projects and new tasks received some critical feedback, while the pay of young employees in proportion to more experienced ones was the reverse side of the matter. Based on the results, equality between age groups emerged as the key target for development.

### **Remuneration is based on the remuneration policy**

Elo has prepared a remuneration policy aimed at facilitating the achievement of Elo’s strategic goals and fairness and equality in remuneration. Elo does not accept pay differentials due to age, gender or other discriminatory grounds. Remuneration is based on how demanding the task is, the employee’s qualifications and performance at work at all organisational levels.

The average pay of women in clerical and specialist positions at Elo was 84.7 per cent of the average pay of men in 2018. In Elo’s management, the average pay of

women was 105.3 per cent of the average pay of men.

### **(GRI 405-2)**

The results of the equality survey are utilised in preparing Elo’s equality plan and development of other operating models and guidelines concerning Elo’s personnel. Training in equality was organised for the representatives of employees and management taking part in statutory cooperation in autumn 2018.

HR services annually compiles a report on the

“ *Elo conducted an equality survey in autumn 2018 for the first time.* ”

The lowest scores were for the experience of remuneration and career progress, regardless of variables such as age, gender or type of employment relationship. There was some perceived inequality in remuneration between different genders, different age groups and different parts of the organisation. In addition to remuneration, age-related aspects emerged in open-ended responses in particular. Among other things, appreciation for elderly employees, career progress, opportunities for



implementation of the equality plan, and it is reviewed by the cooperation forum corresponding to the joint committee referred to in the Act on Co-operation within Undertakings and the cooperation agreement. The key tasks of the cooperation forum include various personnel issues when they concern all or the majority of employees. **(GRI 403-1)** The cooperation forum convened four times during 2018. In addition, HR management and employee representatives regularly meet approximately once a month to discuss topical matters.

At Elo, we consider equality to be a prerequisite for the diversity of our personnel and governance. To be able to genuinely benefit from diversity, an organisation first needs to accept its members as equals and perceive the added value provided by diversity.

### **Expertise for the benefit of the customer**

At Elo, competence is not considered to be limited to a person's specific duties. We have divided competence into three areas: the core competences associated with the company's strategy, substance competence associated with one's individual duties and procedural competence.

In autumn 2018, Elo launched the "Elossa 2030" programme aimed at awaking individuals and functions to consider the changes that the transformation of working life will introduce to our tasks and competence requirements, as well as how we can prepare for the changes. **(GRI 404-2)** The programme began with a career coaching event that functioned as a discussion opener of changes in work and future competence needs for units and functions. "Elossa 2030" guides were prepared to support the supervisors in follow-up discussions. There

is also a career coaching package realised with a partner, aimed at Elo employees who long for clarity concerning their own future direction with the help of an external coach. During 2018, a total of 14 Elo employees took part in career coaching. The experiences gained from career coaching have been good, and the attendees have recommended the training to others at Elo. The "Elossa 2030" theme will continue to be processed, such as in the performance reviews of spring 2019.

Other focus areas of training in 2018 included preparing for the introduction of the income register, strengthening the expertise in data analytics and the "Sinä olet paras" ("You are the best") series of lectures aimed at enhancing the customer experience. The purpose of the lectures is to increase each Elo employee's understanding and competence with regard to what customer experience is, how a good customer experience is created and how each Elo employee can contribute to offering our customers the best customer experience in the industry.

Elo's first Talent programme aimed at providing our specialists with new challenges, networking and opportunities for developing Elo's business across unit boundaries was completed towards the end of 2018. 15 Elo employees of different ages took part in the two-year Talent programme from across the organisation. **(GRI 404-2)**

Several new courses were added to the proprietary online course portfolio. All Elo employees must complete courses on Elo's Code of Conduct, data security, safety, continuity management, protection of personal data and operational risks. In total, there were 2.5 days of training per Elo employee in 2018. **(GRI 404-1)**

Each supervisor has a performance review with their employees at least once a year. All Elo employees are covered by the performance reviews **(GRI 404-3)**. The reviews include assessing the employee's performance, surveying their competence needs and setting goals for their own work. HR services monitors the realisation of performance reviews and organises training according to the needs observed at the company level. Employees are encouraged to be proactive with regard to training.

Elo has a process for inducting new employees. When the induction process is planned and organised well, and both the employer and the employee are satisfied, the outcome is a motivated employee committed to their work.

New employees are requested to provide feedback on their induction three and six months after joining Elo. The results of the survey are reviewed with the supervisors concerned. In the induction survey for 2018, 62 per cent of the respondents considered the induction process to be excellent, 19 per cent considered it to be very good and 19 per cent good.

### **Working capacity for everyone**

Elo aims to look after its employees' well-being at work and working capacity so that employees of different ages perceive their work as meaningful and retain their work motivation and working capacity at a high level throughout their careers to retire in a good condition.

At Elo, well-being at work and working capacity management are comprised of physical and psychological well-being, competence, work and working community. All these areas of well-being at work are developed and monitored in cooperation involving the occupational

## CASE

### INTRODUCING YOUNG PEOPLE TO WORKING LIFE



*At Elo, we are doing everything we can to give Finns long and intact careers, as we consider this to benefit both individuals and the society. Providing employment to young people is one way of lengthening Finns' careers from their start, and something we have invested in at Elo.*

*For the fourth time we participated in a campaign for responsible summer jobs and employed some 20 young summer employees. We want to offer our summer employees a positive work experience while benefiting from their insights and ideas in developing our operations. We have developed our own operating model with which the summer employees can network and jointly carry out diverse assignments from the business functions and thereby expand their summer job experience.*

*We collaborate with several schools and offer their students a contact with the business world and opportunities for diploma work and traineeships. In autumn 2018, we organised the "Hulluna työelämään" ("Crazy about working life") seminar series in eight university cities, connecting corporate decision-makers and students.*

safety and health committee, HR services, occupational healthcare services and other cooperation groups. Occupational well-being and occupational health and safety are implemented by way of an occupational safety, health and well-being plan prepared on an annual basis.

The development of well-being at work and occupational safety and health are particularly cooperation between the employer, personnel, supervisors and individual employees, and they are based on mutual interaction and joint success. Occupational safety and health covers everyone at our workplace. Avoiding unnecessary risks and taking care of one's own and others' occupational safety and working environment are everyone's responsibility.

The development of occupational safety and health and well-being at work is coordinated by Elo's occupational safety and health committee, which convened five times during 2018. In addition to representatives of employees and the employer, occupational healthcare specialists take part in the activities of the occupational safety and health committee. **(GRI 403-1)**

In 2018, the focus area of occupational safety and health was reducing psychosocial stress factors and prevention of musculoskeletal disorders.

A survey of psychosocial stress factors was conducted at Elo in spring 2018. Approximately one-half of Elo employees responded to the survey, but in certain parts of the organisation, such as pension and development services, the response rate was almost 80 per cent. Psychosocial stress factors are factors associated with the content and organisation of work and social functioning of the work community that can cause detrimental stress to an employee.

The survey of psychosocial stress factors was conducted for the first time, so there are no comparison figures available. The most significant psychosocial stress

factors at Elo are interruptions, a sense of hurry and a high workload.

The results of the psychosocial stress survey were utilised in the review of occupational safety and health risks conducted in late 2018. The review is updated once every three years. Functions and units actively seek solutions to remove or reduce the stress factors.

An estimate of working capacity and health plan was prepared for all employees with reduced working capacity. Elo annually has approximately 10–15 employees with reduced working capacity.

A unit-specific workplace survey was conducted in the Finance and Investment Risk Supervision function in 2018 as planned.

#### **Zero tolerance for harassment and discrimination**

Elo has a zero-tolerance policy towards all harassment and discrimination. All Elo employees are required to behave in a normal, good and appropriate manner at the workplace. No bad treatment, bullying, discrimination or sexual harassment is accepted. If any harassment or discrimination on any grounds is observed, the matter is addressed as quickly as possible. Elo employees' experiences of harassment were asked about in both the personnel survey and the equality survey in 2018. According to the equality survey, two per cent of the respondents had observed discrimination and one per cent had observed sexual harassment. Six per cent of the respondents reported inappropriate language.

Elo has a new guideline on investigating cases of bullying, and it is available to all employees on the intranet. The guideline has been reviewed with the supervisors and the occupational safety and health delegate. It is in the interest of all parties to address issues as soon as possible. No one should have to

tolerate psychological abuse or bad treatment. The person accused of harassment also has the right to be heard and treated appropriately. The Occupational Safety and Health Act requires the employee to take action after becoming aware of harassment or other inappropriate treatment causing hazards or risks to an employee's health. The procedure of investigating bullying has been described from the points of view of the bullied person, their supervisor and the occupational safety and health delegate. **(GRI 406-1)**

#### **Support for various situations in life**

Elo aims to consider employees' diverse situations in life and family circumstances, such as having small children or taking care of ageing parents, and provide solutions that are as flexible as possible to coordinate work and family life through, e.g., flexible working hours and remote working options.

Most Elo employees can work remotely if they choose to. Remote work has become more common. In 2018, there was a total of 11,282 days of remote work.

In 2018, a total of 16 Elo employees were on part-time parental leave.

Elo supports its employees in family caregiving situations by providing opportunities for personal working hours pursuant to part-time percentages, taking part-time annual leave, unpaid leaves according to plan, remote work and reorganisation of duties. Elo has also had a family caregivers' support group and supervisors have been instructed in supporting their employees acting as family caregivers.

Our objective is for the retirement age to be at least the statutory old-age retirement age and possibly even higher. In 2018, the average retirement age was 63.5 years. Finding out the needs and expectations of people of

different ages is also part of the performance reviews.

Employees enjoy long careers at Elo. The average duration of employment is 13.5 years. The employee turnover rate was 4.6 per cent in 2018. **(GRI 401-1)**

#### **Results of the personnel survey have improved year by year**

We annually conduct a personnel survey at Elo. In 2018, 87.5 per cent of Elo employees responded to the personnel survey. The PeoplePower index for the survey as a whole was 71.1. This is above the standard level among Finnish specialist companies. Positive development continued for the sixth consecutive year; in 2017, the index was 69.8. In Elo's first survey in early 2014, the index was 61.6. We would have reached our objective, the AA category, had our result been 72.

The results of the personnel survey have always been reviewed carefully at Elo, and measures to achieve improvement have been planned. The results for 2018 prove that this long-term work has yielded results, as the biggest positive change has been seen in the things that previously ranked below average.

The result for the question on the fairness of remuneration developed the strongest in the positive direction compared to the previous year. Similar development concerning fairness has been seen in the question on fair and equal treatment.

There was also considerable positive change in the perception of the usefulness of one's own work, as well as the question on the cornerstones of the corporate culture and compliance with Elo's Code of Conduct. Our intended corporate culture is the foundation of everything we do, and Elo employees have increasingly internalised the significance of our corporate culture in their day-to-day activities and customer encounters.



**BLOG**

#### **“A SAFE WORKPLACE IS FREE FROM HARASSMENT”**

*The #metoo campaign brought up sexual harassment, but it is equally important to pay attention to other inappropriate treatment.*

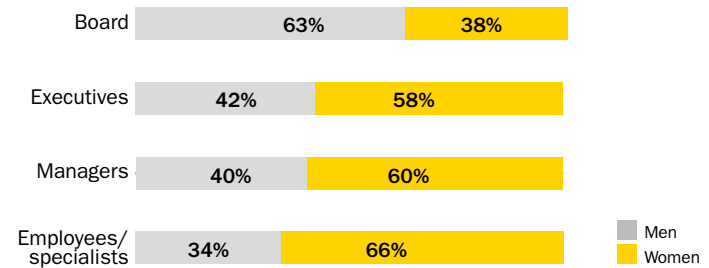
**[ELO BLOG 11 APRIL 2018 \(IN FINNISH\): >](#)**

# Responsibility for personnel in numbers

Personnel indicators	2018
Average work contribution	465.9
Share of women, %	64.7
Share of men, %	35.3
Full-time employees, of permanent employees, %	92
Part-time employees, of permanent employees, %	8
Fixed-term employees, %	10.0
Employee turnover, of permanent employees, %	4.26
Number of sickness absences, day/person	6.4
Average retirement age	63.5

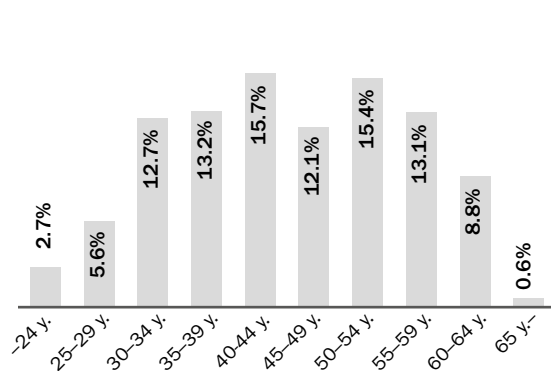
(GRI 403-2) (GRI 401-1b) (GRI 401-1)

## Gender balance by position

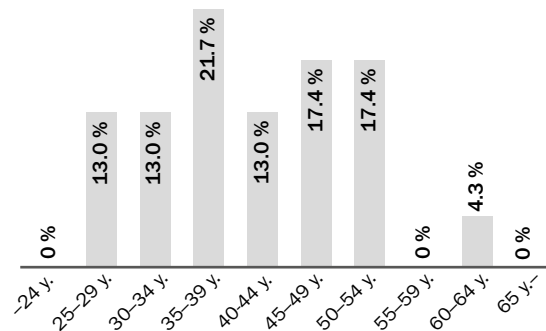


(GRI 405-1a)

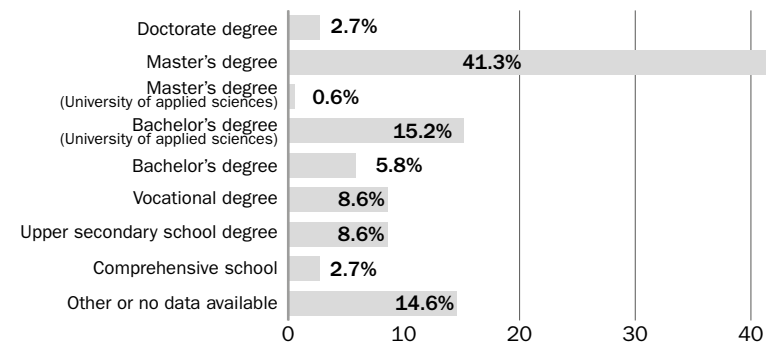
## Age distribution of entire personnel



## 2018 age distribution of recruited people (permanent)



## Education distribution





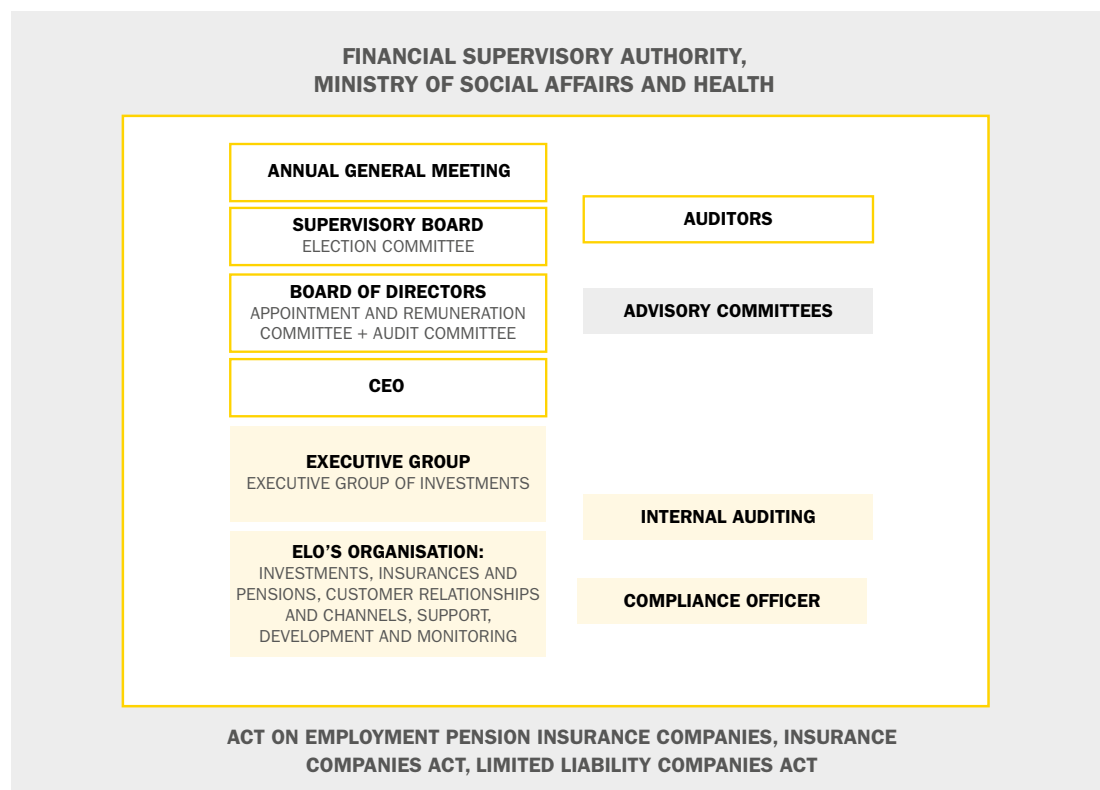
# Corporate governance and responsible operating principles

## Elo's corporate governance system

Elo's corporate governance system is based on legislation. Elo's corporate governance guidelines are based on the recommendations of the Finnish Corporate Governance Code for listed companies 2015, which Elo observes where applicable to employment pension companies. Elo's corporate governance system and associated guidelines are approved by its Board of Directors.

Elo's Corporate Governance Statement is published on [Elo's website](#).

The adjoining diagram illustrates Elo's governance, the authorities that oversee our operations and the laws and regulations that apply to them.



# Compliance is part of responsible culture

**Compliance activities help Elo to fulfil its obligations and promote and ensure that compliance is taken into consideration in all operations. The aim is to promote a responsible corporate culture.**

Compliance activities are part of Elo's internal control. Its starting point is to comply with the regulations issued by the authorities and general best practices of internal control. It is also part of Elo's risk management, where its purpose is to support business operations especially in identifying and managing legal and compliance risks as well as to oversee and report on them to the Audit Committee and senior management. Responsibility-related risks, such as human rights risks, are also monitored as part of compliance activities.

Elo has a Compliance Officer responsible for managing the compliance organisation. In addition to the Compliance Officer, Elo's compliance organisation comprises fifteen people from different Elo units responsible for compliance in addition to their regular duties. Compliance applies to everyone working at Elo, not only the personnel responsible for compliance activities.

Activities begin from the senior management, i.e. the CEO and the Board of Directors, who are responsible for the lawfulness of the company's operations.

Elo has a ratified process for processing identified compliance risks, taking into account their degree of severity. The Compliance Officer has primary responsibility for reviewing all risks, reporting on the situations to the Board of Directors and CEO. With regard to critical risks, the reporting takes place immediately. **(GRI 102-33)** Elo has a compliance board with three members in addition to the CEO. The board is tasked with handling severe compliance situations and making decisions on them. There were no critical compliance risks in 2018. **(GRI 102-34)**

In addition to overseeing compliance with regulations, Elo's Compliance Officer is responsible for insider and related party management as well as anti-corruption

principles at Elo, among other duties.

Elo has a whistleblower channel aimed at allowing the reporting of concerns and suspected abuse anonymously as well. The Compliance Officer processes the reports and submits the matter to the compliance board to decide on, if necessary. Elo has ratified rules for protecting the whistleblower from consequences. One report was received via the whistleblower channel in 2018.

## **Elo's Code of Conduct**

Elo's Code of Conduct specifies how Elo acts in different situations. It is based on the cornerstones and operating models of the corporate culture, describing the type of activities to which Elo and Elo employees commit, and how we act on a daily basis. The principles are a concise compilation of all the internal and external regulations applicable to our operations. The more detailed rules are

provided in Elo's own guidelines on different matters.

The Code of Conduct addresses, among other things, good corporate governance, data protection, corruption, working life and human rights. In addition, as part of the Code of Conduct, each Elo employee has an obligation to comply with the Code of Conduct and report any suspected breaches of the operating procedures. Elo has a Code of Conduct online course that all Elo employees need to take. **(GRI 412-2)**

#### *Insider guidelines*

Elo complies with an insider guideline pursuant to the Pension Insurance Companies Act. The purpose is to advance the public reliability of investment activities and to ensure the knowledge of personnel concerning insider trading regulations in order to prevent unintentional violations as well. The insider regulations are applicable to Elo's investment activities and any securities transactions being executed by personnel belonging to the company's sphere of insiders. Individuals are included among the permanent insiders by virtue of their position or responsibilities. The insider regulations are also applicable to temporary insiders who may receive project-specific insider information.

A permanent insider is obligated to request permission as regards trading in securities and to submit a declaration of holdings that specifies the number of purchased or sold securities and/or money-market instruments. Short trading is prohibited for all permanent insiders employed by Elo.

The Act on Pension Insurance Companies gives anyone the right to receive extracts and copies of information in the register against compensation for expenses. Public information about Elo's insiders is available, free of charge, from Euroclear's NetSire service. However, the personal identification number and address of natural persons, as well as the names of natural persons other than insiders, are not public. (TVYL Section 12 i, subsection 3) Elo's insider register is maintained by the Compliance Officer.

#### *Anti-corruption guidelines*

Elo adopted new anti-corruption guidelines in 2018. All of Elo's business operations and related corruption risks were assessed during spring 2018 based on the new guidelines. **(GRI 205-1)**

Separate trainings in the anti-corruption principles were organised for Elo's business units. A separate online training course on the subject will be launched in 2019. **(GRI 205-2)** No cases of bribery were identified at Elo during 2018. **(GRI 205-3)**

The guidelines on sponsorship and joint projects were revised during 2018 as part of the anti-corruption principles. Elo's partnerships are annually published on Elo's website.



### **WHAT IS COMPLIANCE?**

*Compliance refers to adhering to laws, decrees, regulations issued by the authorities, sector practices, good insurance practice, the company's internal guidelines and principles and the Code of Conduct.*

# Importance of data protection and security is increasing

**For us, data protection means protecting the privacy of our private and corporate customers as well as our employees, i.e. keeping the information confidential and processing it carefully.**

We process a large volume of personal data and assets required to take care of pension liabilities. As an employment pension insurer, the key regulations governing processing are derived from employment pension legislation.

With technology, digitalisation and new service models evolving at an accelerating rate, effective and safe management of personal data is particularly important to Elo as an employment pension insurer. Our key tasks require extensive processing of personal data, some of which may be sensitive.

## **Preparing for the EU's General Data Protection Regulation**

The EU's General Data Protection Regulation entered into force in May 2018. The EU's General Data Protection Regulation is about an overall reform of data protection regulations throughout Europe, replacing the Data Protection Directive underlying the current Personal Data Act with the General Data Protection Regulation. One of the key objectives of the General Data Protection Regulation is to provide individuals with more extensive rights of managing their own personal data. In addition, it aims to

ensure common rules throughout Europe, also in situations where services are provided within the EU by companies located outside Europe.

The preparations for the application of the General Data Protection Regulation proceeded well at Elo. We made an impact analysis concerning the Regulation, and based on its action proposals, it was decided to launch a project for coordinating the key guidelines and preparatory work. As part of the preparations, Elo appointed a Data Protection Officer, and personnel was trained on the matter.

The importance of data protection is increasing further and extends considerably further than just a single regulatory reform project, albeit an extensive one. With increasing digitalisation, data protection will become an increasingly important part of companies' operations. Efficient utilisation of personal data requires their effective protection and considering the rights of the data subjects in day-to-day work.

## **Acting responsibly is the most important principle of Elo's data security**

The objective of data security is to safeguard the reliability, integrity and availability of the data processed by Elo and to

prevent confidential information from falling into the wrong hands.

Good management of data security requires continuous monitoring of activities, long-term planning and resourcing. Data security is an integral part of the quality of Elo's operations and services, overall security and every Elo employees' daily processing of data.

The principles of our data security work are recorded in the data security manual. Data security work is coordinated by the Data Security Manager working in IT administration. We see to the high level of data security through continuous training and data security audits of different systems. Data security is included in the induction of every new Elo employee, and the online course on data security is mandatory for all Elo employees. In addition, we provide training customised based on duties to the different functions.

We closely cooperate with our various IT service providers and data security partners. Elo also cooperates with various authorities as a company critical to emergency supply. In 2018, we invested particularly in updating our data security principles and enhancing data security-related communication.

# Elo's responsibility indicators 2018

The Global Reporting Initiative's reporting framework have been applied to Elo's annual and responsibility report, where applicable. The responsibility indicators used consist mainly of indicators in accordance with GRI Standards as well as of Elo's own indicators. GRI G4 Financial Services Sector Disclosures indicators have in part been used in responsible investing. If one exists, an indicative GRI code has been reported on the monitored theme.

Monitored aspect/indicator		Page number in the annual and responsibility report	GRI code
<b>Elo's own operations</b>			
Economic Performance	Solvency	24	
	Tax footprint	11	201-1, partly
	Overall return/year	5	
	Development of investment assets: average real return over 10 years	13	
	Expense loading ratio	5	
	Customer bonuses	5, 33	
<b>Corporate governance and responsible operating principles</b>			
Compliance	The role of the Board of Directors in sustainability reporting	9	102-32
	Process of reviewing critical compliance risks	50	102-33
	Total number of critical realised compliance risks and their management	50	102-34
Anti-corruption	Businesses whose corruption-related risks have been assessed	51	205-1, partly
	Trainings relating to anti-corruption and anti-bribery procedures, total number and share of employees who have received anti-corruption training	51	205-2, partly
	Confirmed incidents of bribery and related measures	51	205-3
Human rights	Human rights-related training	51	412-2, partly
Data protection	Training on data protection and privacy	52	



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Monitored aspect/indicator		Page number in the annual and responsibility report	GRI code
<b>Responsibility for personnel</b>			
Employees	Information about personnel and employees	48	102-8, 405-1 b)
	Number of new recruited employees, average duration of employment and average age of employees	47, 48	401-1
Diversity	Diversity of governance bodies	48	405-1 a)
	Ratio of the basic salary and remuneration of women to men	44	405-2
	Incidents of discrimination and corrective measures	47	406-1
Competence development	Average hours of training per year per employee	48	404-1
	Programmes relating to competence development and change support	48	404-2
	Share of employees covered by regular performance assessments and development discussions	45	404-3
Occupational health and safety	Presentation of employees in formal joint management-worker health and safety committees	46	403-1
	Sickness absences	48	403-2
<b>Responsible investments</b>			
Own operations	Taxation of investments	11	
Follow-up of standards	Screening of non-compliance with standards, % of investments	24	FS11
Responsibility of investments	Fund managers' climate strategies – how many of the external fund managers take climate change into consideration in their investments	24	
	Share of investments with a positive impact on the environment and society	24	FS7, FS8, partly
	Scope of ESG assessments	24	FS11
	Carbon footprint of investments (Scope 1 & 2)	27	305-1, 305-2, partly
	Carbon intensity (CO <sub>2</sub> e/USD/EUR million)	27	305-4, partly
	Energy and water consumption and CO <sub>2</sub> emissions of real estate investments	29	302-2, partly
Active ownership	Attendance at general meetings (%)	25	FS10
	ESG influence on companies	26	FS10
	Voting at the general meetings of investments	25	

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Monitored aspect/indicator		Page number in the annual and responsibility report	GRI code
<b>Responsibility for customers</b>			
Responsible products and services	Pension decisions/processing times	40	
	Processing time in preliminary decisions on vocational rehabilitation	41	
	Effectiveness of rehabilitation, % of people available to the labour market at the end of rehabilitation	41	
	Telephone service waiting time	32	
	Processing time of insurance applications	32	
	Share of online services	32	
	Applications processed by the Pension Appeal Board which remained unchanged, i.e. pursuant to Elo's decision	41	
Customer satisfaction	Customer satisfaction surveys (NPS)	32, 36, 39, 40	102-44, partly



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