



# ANNUAL AND RESPONSIBILITY REPORT 2019





We make sure that our customers receive the pensions they have earned. Elo employees feel that their work is responsible. We want to do it in a sustainable way.

**ANNUAL AND RESPONSIBILITY REPORT 2019** This report includes the essential events and topical matters of Elo's responsibility in 2019. We will also issue the Board of Directors' Report, Financial Statements and a Corporate Governance Statement as separate reports.

#### Contents

<b>Elo annual and responsibility report 2019</b>	<b>3</b>
CEO's review	3
Elo in 2019	6
Responsibility at Elo	7
Elo and society	11
Tax footprint	13
<b>Responsible investments</b>	<b>15</b>
Responsibility underpins Elo's investment operations	17
Steering groups	19
The responsible investment strategy is implemented through five areas	20
Risk management as part of responsible investments	25
The real estate sector plays a key role in reducing emissions	26

#### Risks and opportunities relating to climate change in accordance with TCFD

<b>Responsibility for the customers</b>	<b>36</b>
Supporting our customers in their day-to-day lives	36
Financing that takes our customers' needs into account	40
Stronger working capacity through cooperation based on information and needs	41
We take care of current and future pensioners	44
Rehabilitation makes returning to work possible	46

#### Responsibility for the personnel

<b>Operating methods</b>	<b>56</b>
Compliance activities underpin ethical practises	56
Importance of data protection and security is increasing	57

Indicators of responsibility table	58
Contact information	61





**Best year of  
the decade in  
investments,  
generating a return  
of 13 per cent.**

#### CEO's review

## Responsible work sustainably with the focus on our customers

2019 was the best year ever for Elo in terms of investments. The excellent returns were based on successful choices between different asset classes. Investments generated a return of 13 per cent, and their value increased to more than EUR 25 billion at the end of the year. Our solvency strengthened, creating a foundation for the sustainability of financing the employment pension system and meeting future economic challenges.

We revised Elo's strategy thoroughly in 2019, for the first time since the company was established. Our confirmed strategy for 2020–2022 is based on our mission statement of taking care of customers' pension interests responsibly. The mission is made possible by Elo employees' strong expertise, the company's solvency and operational efficiency, which we continuously develop.

As part of the strategy work, we analyse changes in our operating environment and our customers' expectations. We crystallised our vision as to be most convenient and convincing — passionately in your everyday

life. Our strategic themes are **responsibly competitive**, **customer experience as a competitive advantage** and **reforming competence**, and they concern everyone at Elo, both our customer and investment activities.

We continuously develop our processes to ensure strong investment income and our customers' confidence. In investment operations, we have gained good experience in developing the processes and building the investment plan with the principles of openness and engagement.

We want to offer our customers an opportunity to choose how they want to use our services. We are building services that meet the changing needs and habits of companies, entrepreneurs and pensioners, serve across multiple channels and communicate in plain language. Our focus on digitalisation in the development of the customer experience and our efforts to develop personal service have produced good results. This is evidenced by good customer satisfaction for insurance services as well as pension services. The telephone service of Elo's insurance services repeatedly won the Customer's Voice competition in May.

Elo's customers have received pension decisions faster than the customers of other employment pension companies for years. In 2019, we made pension decisions on average approximately 25 per cent faster than the overall average for other employment pension companies. The incomes register adopted at the beginning of the year made pension decisions even faster. The adoption of the incomes register meant a major change to our customers' as well as Elo's operating methods, but with the help of good preparation, we succeeded in keeping the service times and customer satisfaction at a good level also in the

deployment phase of the incomes register.

The number of disability pension decisions made by Elo increased by 5 per cent, and the number of disability pensions due to mental health issues increased by as much as 10 per cent compared to 2018. Mental health issues were the most common cause of new disability pensions for the first time. It is concerning that the number of applications due to mental health issues has increased particularly among those aged under 35.

” Our goal is to be the most convenient and convincing partner to our customers – passionately in your everyday life.

This is a new situation, so it is difficult to find a historical explanation for the increase in working capacity problems caused by mental health issues. We will need research data and cooperation between different parties to prevent disability risks and support working capacity. We also need more effective and faster care chains when working capacity wavers to keep as many people at work as possible instead of disability pension. From the point of view of the future of our society and pension system, it is paramount to see to the working capacity of both current and future employees and entrepreneurs.

Long and solid work careers are of benefit to individuals and society. At Elo, we support our customers in working capacity challenges and extending careers by offering

services for disability risk management and employment pension rehabilitation. We revised the rehabilitation service process during 2019 to ensure that our customers receive high-quality and consistent service related to rehabilitation. We also developed tools relating to surveying disability risks and monitoring the impact of working capacity management services.

An excellent customer experience and high-quality processes can succeed only with skilled personnel. In

fact, thriving employees play a key role in the development of our responsible behaviour. According to our annual personnel survey, good development continued for the sixth consecutive time. The PeoplePower index for the survey as a whole was 72.8, winning us the Most Inspiring Workplaces in Finland recognition. We are proud of the passionate approach of Elo employees to developing their work to reach our goals.

I want to thank all our customers for their trust in us and our personnel for their excellent work in building our future!

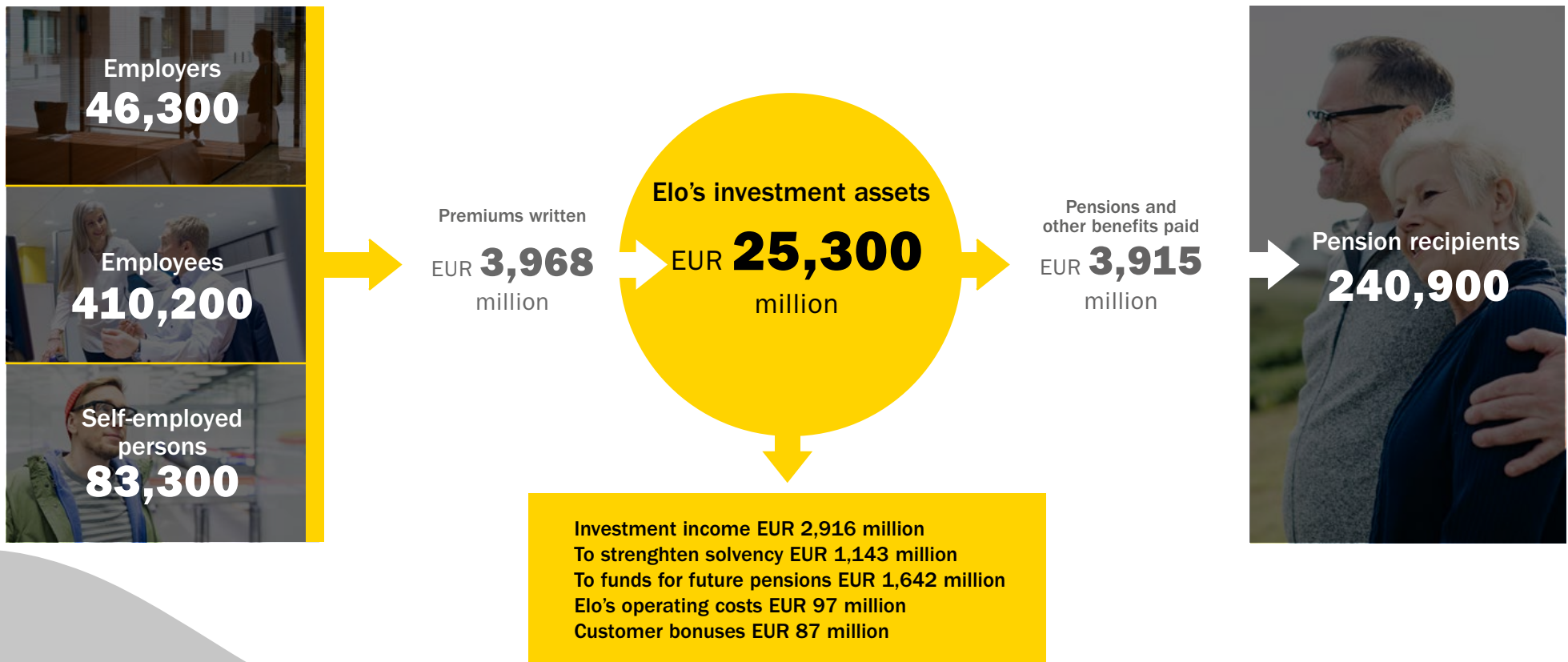
**Satu Huber**  
CEO

# Visual summary of Elo's operations in 2019

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 2019

## Summary of key figures

	31/12/2019	31/12/2018
<b>Company size</b>		
Premiums written, EUR million	3,968.5	3,639.8
Pensions and other benefits paid, EUR million <sup>1)</sup>	3,915.3	3,634.6
Technical provisions, EUR million	21,876.6	20,431.7
Pension assets, EUR million <sup>2)</sup>	25,886.0	23,017.9
TyEL payroll, EUR million	14,326.7	13,312.7
YEL earned income sum, EUR million	1,767.0	1,783.7
Number of TyEL policyholders	46,300	45,800
Number of TyEL insured	410,200	440,200
Number of YEL policyholders	83,300	83,700
Number of pensioners	240,900	237,900
Number of personnel (average work contribution)	487	466
<b>Result</b>		
Loading profit, EUR million	35.2	31.8
Operating expenses as % of loading component	73.4%	74.9%
Transfer to client bonuses, EUR million	86.9	71.9
Transfer to client bonuses (%) of TyEL payroll	0.6%	0.5%
Solvency capital, EUR million	5,081.8	3,935.1
ratio to solvency limit	1.6	1.6
Pension assets, % of technical provisions	124.4%	120.6%
Net investment income at fair values, EUR million	2,915.7	-331.9
Net return from investment on capital employed, %	13.0%	-1.4%

<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

# 13.0%

overall return on investments

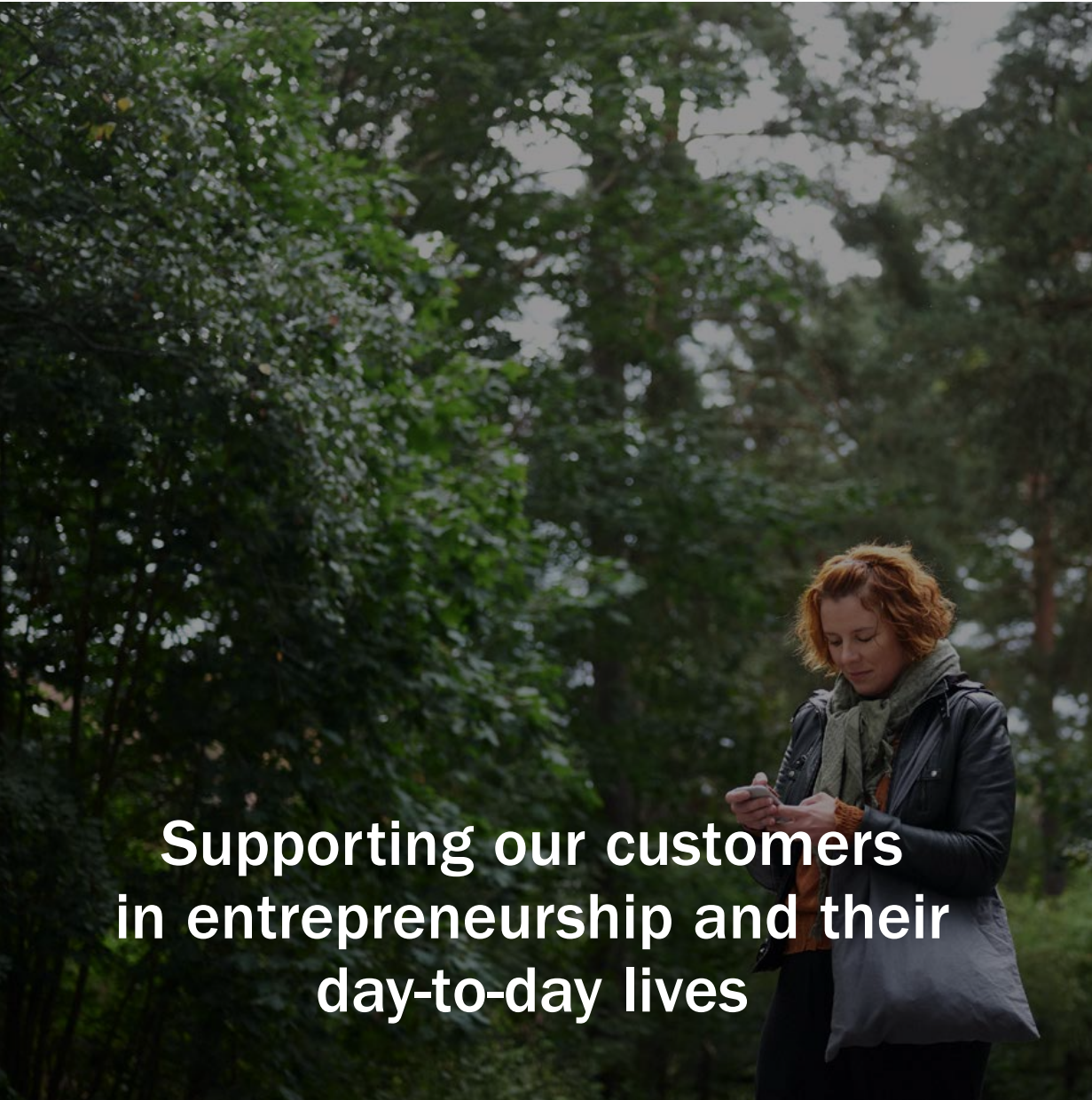
# 25.3

investment assets, EUR billion

# 3,915

pensions and other benefits paid, EUR million





## Supporting our customers in entrepreneurship and their day-to-day lives

## Responsibility at Elo

**Responsibility is included in Elo's basic task. We make sure that our customers receive the pensions they have earned. We influence the society and the day-to-day lives of our customers by carrying out our task of enforcing statutory employment pensions efficiently and by looking after our customers, developing the customer experience.**

We contribute to laying down the foundation for keeping people at work in a changing world. The measures available to an employment pension insurance company for this include disability risk management and employment pension rehabilitation. Long and solid work careers are of benefit to individuals and society.

Our responsible investment operations safeguard pensions and lay down a foundation for a sustainable future across generations.

This annual and responsibility report provides information about Elo's operations and the development of responsibility in 2019.

### Essential themes in corporate responsibility

Previously, stakeholder surveys have indicated that our basic tasks – taking care of employment pension security and employment pension assets as well as responsible investments – have become by far the most important and essential matters in terms of corporate responsibility. Also, personnel-related themes have been considered to be important. Climate change and related matters have been increasingly present in societal discussions in recent years, and they also increasingly interest our various stakeholders. **(GRI 103-1)**

### Responsibility in Elo's strategy

Elo's Board of Directors approved Elo's strategy until 2022 in late 2019. Our strategy starts with our basic mission. Our mission statement is as follows: "Taking care of customers' pension interests responsibly", and our vision is: "The most convenient and convincing — passionately in your everyday life."





In the distributed employment pension system, the justification of our existence is that we continuously develop our expertise, solvency and operational efficiency. Responsibility is integrated into our operations, and it is associated with all of our strategic themes: competitiveness, customer experience and reforming competence. In conjunction with our strategy work, we analysed our operating environment; in terms of responsibility, its key change factors included climate change, transformation of work, change in customer needs and digitalisation of society. We will build a new corporate responsibility programme based on these in 2020. The preparation of the programme began in 2019.

Change in the society and our operating environment is continuous, so also expectations of the responsibility of our operations evolve. We are prepared to review our operating methods and goals when our operating environment and our stakeholders' expectations change. However, it is obvious that in addition to productivity, efficiency and economic security, we want to create an equal and sustainable working life and give our input to building a sustainable society.

” We want to work responsibly and sustainably, listening to our customers.



(GRI 103-1)

### 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 Responsible Investment Steering Group develops responsible investments and reporting, shares information between asset classes and ensures that the investment organisation uses uniform operating methods. Each employee of the investment organisation is responsible for the application of responsible investing principles and practices in their day-to-day work.

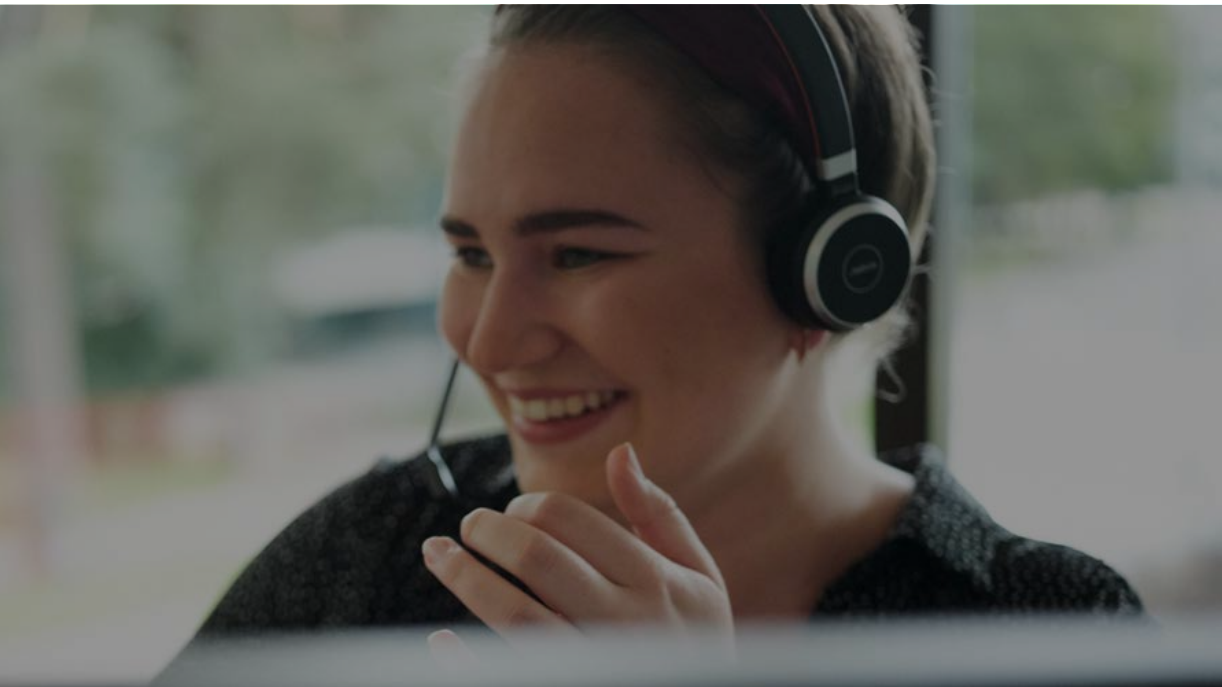
### Reporting principles

This is the third time that the Global Reporting Initiative (GRI) framework is used as a reference in responsibility-related reporting. Elo publicly supports the TCFD's (Task Force on Climate-related Financial Disclosures) climate reporting recommendations. Elo's responsibility report for 2019 includes a report on the risks and opportunities relating to climate change in accordance with the TCFD. The report includes an estimate of how climate is taken into consideration in Elo's governance, strategy and risk management as well as climate-related objectives and indicators. 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 framework-compliant indicators regarding the areas considered the most material. Elo's corporate responsibility indicators are presented at the end of this report on page 58.

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.





**We cooperate with non-profit organisations as part of our social role. This way, we promote e.g. Finnish entrepreneurship and employment and prevent the marginalisation of young people.**

## Elo and society

**As an employment pension company, Elo plays a central and important role in the Finnish 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 we contribute to Finland's economic growth, employment and well-being at work. We have an impact on both individuals and society.

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
- the employment pension sector's cooperation and supervision of interest bodies
- media.



In 2019, the themes emphasised in stakeholder cooperation included the principles of the employment pension system, competition in the employment pension industry and points of view associated with the merging the public and private pension systems.

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, jointly considering affairs and discussing topical themes.

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

We are involved as experts in various working groups in the sector. 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). Based on our expertise, we issue statements on matters being prepared to the authorities.

The employment pension sector's working groups are partly permanent, partly changing. Working groups are regularly established around topical matters found to be particularly important, such as the merger of the pension systems. FA's corporate responsibility section had its second full year of operations in 2019. Joint operating principles for responsibility in the entire financial sector were prepared in 2019.

Elo carries responsibility for the transformation of the financial sector and is actively engaged in ensuring the industry's well-being, productivity and competitiveness. Elo plays a major role in building a network that connects financial sector employers and educational institutions, related cooperation and the sector's employer image.

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 2019, Elo was visible in the media as a specialist in the economy, pension insurance of self-employed persons and employees and transformation of work, for example.

### Cooperation that benefits society

We cooperate with non-profit organisations as part of our social role. This way, we promote e.g. Finnish entrepreneurship and employment and prevent the marginalisation of young people.

In September 2019, we partnered with the Economics Defence Course for the fifth time. The theme of the event organised by the Helsingin Sanomat newspaper and Aalto EE was to improve the employment rate. The aim was to provide new insights, information and tools for decision-makers.

In 2019, we took part in the Entrepreneur of the Year competition and the Junior Achievement Finland programme. We provided two young people with an opportunity to take part in monitoring the work of Elo's directors in the Job shadow event.

We donated a total of EUR 15,000 of funds reserved for non-profit purposes to Psykiatrian Tutkimussäätiö, Save the Children, Helsinki Deaconess Institute and Vamlas Foundation. Elo employees decided to donate some of the funds reserved for the personnel's Christmas greetings to Venner grocery bags, providing 100 families with a bag of nutritious groceries and recipes, to the Finnish Association of People with Physical Disabilities for funding assistance dogs and to Save the Children for covering education and hobby expenses.

# Elo's tax footprint

Paying taxes is a central part of a company's role in society, and the tax footprint in part illustrates the financial impact of operations on society. Our tax footprint shows 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.

Our 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 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 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, are taxable income for the recipient upon their payment. Our main task is to safeguard and pay pensions. In 2019, we paid a total of EUR 3,403.7 million in taxable pensions and benefits, of which EUR 673 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 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 2019, the withholding taxes paid on the earnings of Elo's personnel totalled EUR 11.3 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 2019, we paid value added tax totalling EUR 5.3 million on our own purchases.

**”** We emphasise transparency and openness in our ownership steering and encourage companies to report their tax policy and tax footprint.

#### Taxation of other operations

EUR million	Tax base	Taxes paid
Wages and salaries of personnel	37.0	11.3
Other operating expenses	82.1	5.3
Pensions paid	3,403.7	673.0

**(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	152.2			152.2	
Dividend income	482.6	-15.5	6.0	473.1	-9.5
Real estate income and expenses	71.8	-1.1		70.7	-1.1
Other investment income and expenses	-200	-2.2		-202.2	-2.2
Value adjustments in bookkeeping	1,004.9			1,004.9	
Change in valuation differences	1,416.9			1,416.9	
Investment income, total	2,928.5	-18.8	6.0	2,915.7 <sup>1)</sup>	-12.8

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



We ensure the profitable, secure and responsible investment of employment pension assets.

The strategy of Elo's investment operations is to strive to achieve good, sustainable and sufficient returns on investments through the selected strategic allocation and successful choices between asset classes.

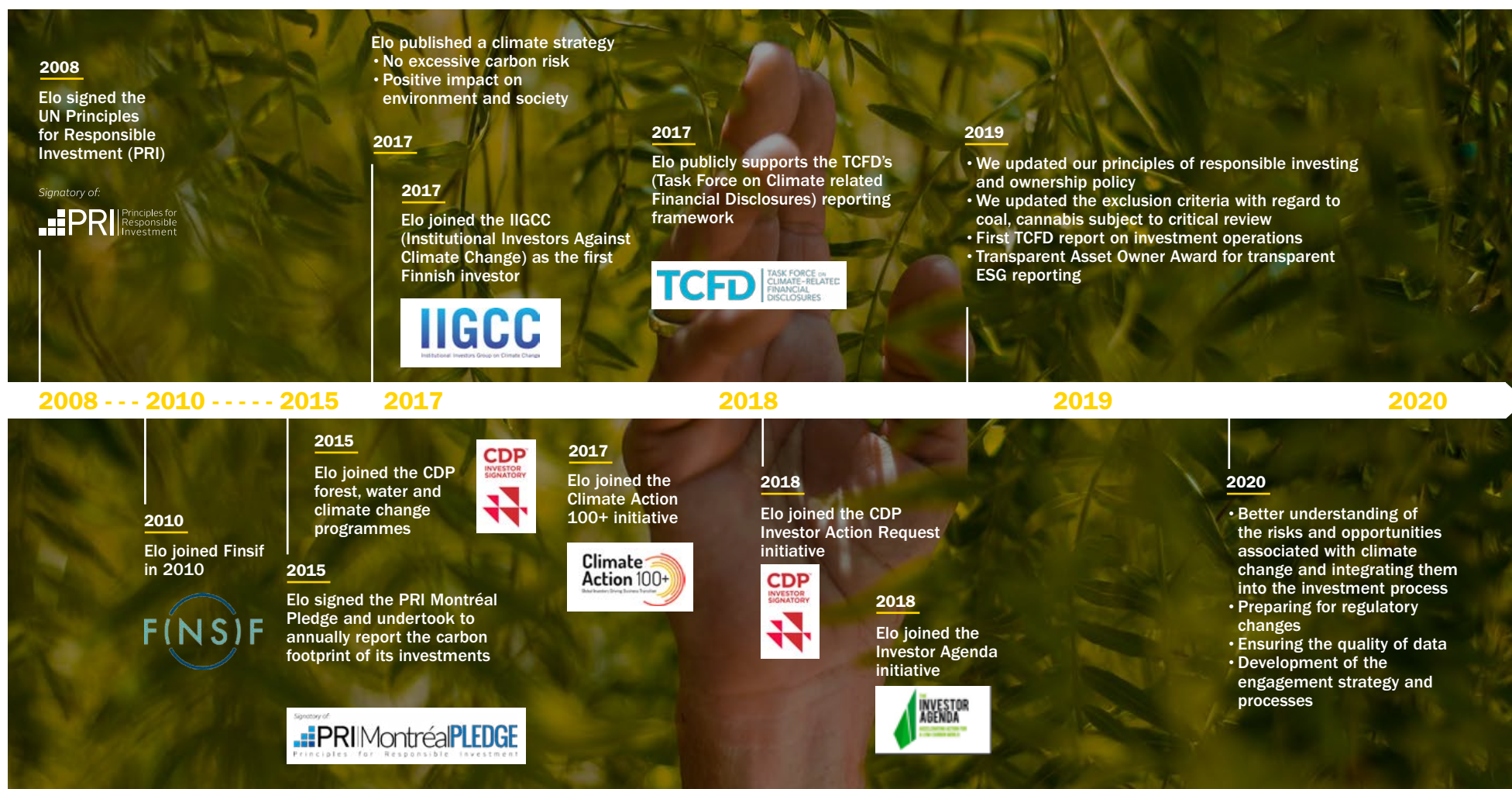
## Responsible investing

In 2019, we updated our principles of responsible investing and ownership policy.

We continued the work to mitigate climate change by updating our exclusion criteria with regard to coal and taking part in diverse engagement initiatives with other investors. Elo was one of the signatories to the IIGCC's initiative to EU leaders, emphasising the achievement of the target for carbon neutrality in Europe by 2050 and aligning all essential EU regulations with the Paris Agreement.

We joined the IIGCC's Paris Alignment Initiative. The aim of the initiative is to find out how the portfolios of institutional investors can be aligned with achieving the goals of the Paris Agreement and which would be the implications. We also reported in compliance with the TCFD reporting framework for the first time, and our report won the Transparent Asset Owner Award for transparent ESG reporting.

# Over a decade of responsible investments



### Responsibility is a leading principle in Elo's investment operations

The objective of our investment operations is to ensure the profitable, secure and responsible investment of employment pension assets. The responsibility for pension assets extends decades into the future. The strategy of Elo's investment operations is to strive to achieve good, sustainable and sufficient returns on investments through the selected strategic allocation and success in the choices between asset classes.

The key determining factor for return and risk is the selection of the strategic allocation. Good solvency enables active investment policies in all economic environments. Investment operations are implemented cost-efficiently

and transparently throughout the investment process, and the majority of investments in different asset classes are made through direct investments. Additional returns from the markets are the result of excellence, created through strong expertise and long-term development.

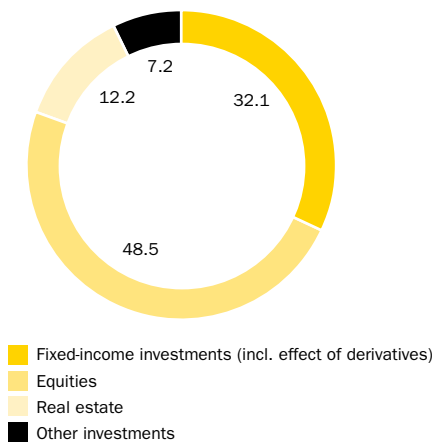
As a long-term pension insurance company and investor, we believe that a strong approach to the responsibility of our investments, integrated into our investment process, plays an essential role in pursuing good and sustainable returns on investment and managing the associated risks. Engaging with the investments either by ourselves or in cooperation with other investors and stakeholders and ownership policy are key factors of responsible investment operations.

The average nominal return of Elo's investments over 5 years was 5.8 per cent and over 10 years 5.9 per cent. The real return over 5 years was 5.1 per cent and over 10 years 4.5 per cent. More detailed information about the investment year 2019 is available in the Board of Directors' report.

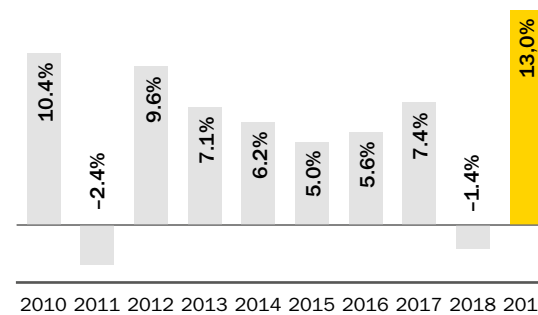
### Sustainable result from sustainable business

Responsible investing at Elo is based on the view that only by sustainable operations can companies generate sustainable results over the long term and responsible investors generate sustainable returns. Responsible investing is an integral part of investment activities, and different styles of it are integrated into the investment process, taking

### Investment distribution of main asset classes and development of return on investments 31.12.2019



### Development of return on investment 2010–2019



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



the special characteristics of different asset classes into consideration. Responsible investing is made in different asset classes using the methods that best facilitate the success of the responsible investment strategy in each asset class. Responsible investing means that all of the responsibility aspects of the investment – environmental responsibility, social responsibility and good corporate governance – are taken into consideration throughout the investment's inclusion in the portfolio; from initial investment analysis, , to making the investment decision, to monitoring the return on the investment to divestment of the investment.

#### (GRI 103-1)

Elo's responsible investment strategy is comprised of responsible operating methods, compliance with international norms, the assessment of responsibility as part of the analysis, decision-making and monitoring related to investments as well as ownership steering and other means of engagement.

#### **The Board of Directors oversees and guides responsible investing**

Our responsible investments are guided by Elo's strategy and investment strategy and the principles of responsible

investing and ownership policy, approved by the Board of Directors. The principles provide more detailed information about our ways of working. A transparent, clear and functional governance model is particularly important to an investor such as Elo that makes most of its investments directly.

Additionally, Elo's objective is to ensure sustainable returns for investments, taking into account the risk and opportunities that the impacts of climate change impose on the financial markets and investments. Elo's climate strategy, approved by the Board of Directors, supplements the principles of responsible investing. The starting point of the climate strategy is to aim for better investment decisions, taking the climate perspective into account.

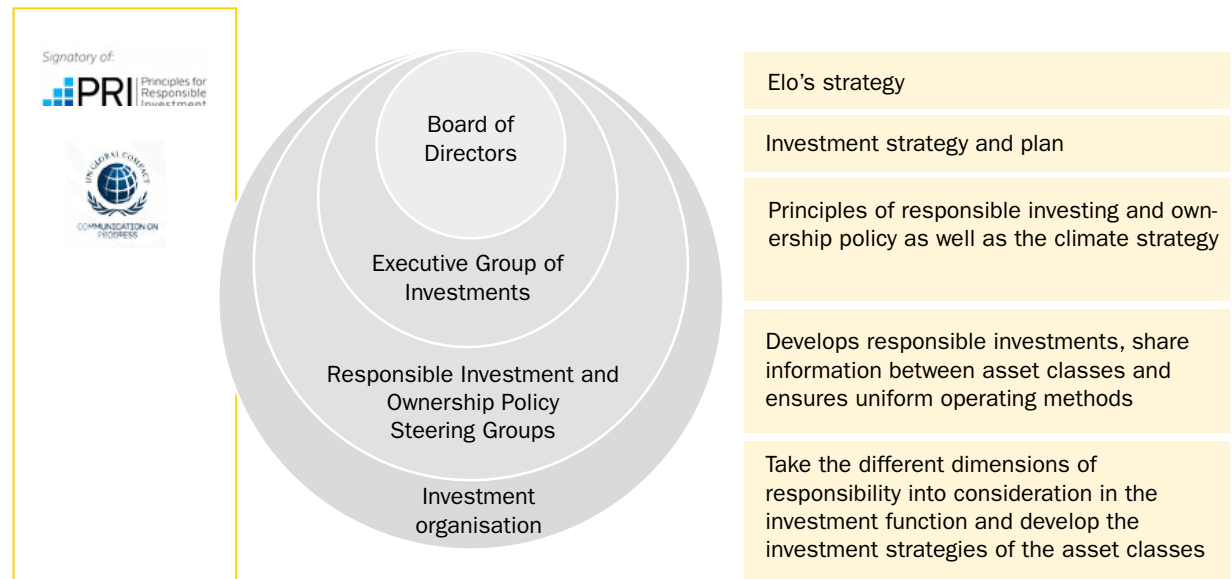
The Executive Group of investments, chaired by Elo's CEO, is responsible for preparing and updating the principles.

The principles of responsible investing and ownership policy are available on Elo's website.

Responsible investment is annually reported to the Board of Directors. Furthermore, the Board of Directors approves Elo's annual and responsibility report and the non-financial disclosures section of the Board of Directors' report. Active dialogue on the development of responsible investment takes place with the Board of Directors. The Executive Group of investments regularly reviews matters relating to responsible investment in its meetings.

#### (GRI 103-2)

### Elo's responsible investment governance model



### Steering groups develop and coordinate responsible investment

The Executive Group of investments is supported by the steering groups for responsible investment and ownership steering. The task of the Responsible Investment Steering Group is to develop responsible investing, share information and best practices between asset classes and ensure uniform operating methods. The steering group also moni-

tors the achievement of the objectives set in the principles of responsible investing and climate strategy. The responsible investment steering group includes a representative from each asset class. The responsible investment steering group convened five times in 2019.

The steering group for ownership steering provides guidelines on matters pertaining to ownership steering based on Elo's ownership policy. The members of the Ownership

Steering Group include Elo's executives and members of the Executive Group of investments and investment operations. The Ownership Steering Group convened three times during 2019.

Each employee of the investment organisation is responsible for the application of the principles of responsible investing and ownership policy and climate strategy in their day-to-day work. **(GRI-103-2)**

### Responsible investments are made in each asset class using the methods that best facilitate the success of Elo's responsible investment strategy in each asset class.

Omaisuuksiluokka	Analysis of responsibility aspects and ESG grade (investment and/or service provider)	Follow up of Global Compact principles and engagement	Positive impact on environment and society	Exclusion of controversial weapons, tobacco and coal	Carbon footprint reporting
Direct equity and corporate bond investments	X	X	X	X	X
Equity and corporate bond funds	X				X
Government bonds <sup>1)</sup>	X				
Hedge funds	X				
Private equity investments	X				
Real estate investments	X				X
Infrastructure and real estate investments	X		X		

1) Monitoring of Transparency International's Corruption Perceptions Index (CPI)

## THE RESPONSIBLE INVESTMENT STRATEGY IS IMPLEMENTED THROUGH FIVE AREAS

### Responsible investment is integrated in the investment process

- Return and risk
- Opportunities and impact

### Exclusion

- Coal
- Tobacco
- Controversial weapons

### Engagement and cooperation

- e.g. IIGCC, Climate Action 100+

### Ownership policy and dialogue

- Shareholder meetings
- Nomination boards
- Company and manager meetings
- Financing sector

### Reporting

- PRI report
- TCFD reporting framework
- Annual and Responsibility Report
- Non-financial disclosures



### Investment operations and portfolio management

We have integrated responsible investment in the investment process alongside conventional investment analysis metrics. Taking responsibility into consideration in investment decisions and investment selection varies slightly between different asset classes and types of investment.

We particularly aim to improve the long-term risk-return ratio by identifying the ESG aspects essential for each investment and assess the ability of the investment to manage and mitigate their ESG risks together with benefiting from opportunities arising from sustainability themes in their business. **(GRI 103-1)**

” In defining the responsibility of investments, the starting point is in international standards, such as the UN’s Global Compact corporate responsibility standard.

In defining the responsibility of investments, the starting point is in the international standards, such as the UN’s Global Compact corporate responsibility standard. Global Compact includes 10 principles on the environment, corruption, human rights and labour. The responsibility assessment of investments is based on corporate responsibility disclosures of companies and service providers, meetings with management and the ESG database of an international service provider as well as an extensive ESG analysis. 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, and we can begin the engagement process when feasible, considering the actual possibilities of making a difference. Elo may divest due to shortcomings observed in responsibility if the company fails to propose and take corrective actions.

85 per cent of listed equity investments and 86 per cent of listed corporate bond investments held an ESG classification in 2019 **(FS 11)**.

### Exclusion

In 2019, we updated our principles of responsible investing with regard to the exclusion criteria concerning coal. We exclude from our direct investments companies manufacturing controversial weapons and tobacco companies and since 2019 we have excluded companies that derive more than 25 per cent of their net sales from activities related to coal production or the use of coal in energy production without a clear strategy for reducing the use of coal. Going forward, we will consider whether these limits should be lowered, taking the development of the investments into consideration.

<sup>\*)</sup> 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.

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

%	2019	2018	2017
Equity investments	95	95	85
Corporate bond investments	87	87	88
All managed assets	48	41	40

Cannabis-associated companies in the pharmaceutical industry and other sectors are subject to critical monitoring.

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. We will review and update the principles of responsible investing with regard to government bond investments during 2020.

In 2019, there were a total of 203 companies excluded from investments based on our exclusion criteria.

cooperation can significantly increase the value and possibilities of success of engagement in practice.

Engagement is, for example, the only way to impact the reduction of the systemic risk of the financial market caused by climate change. Our objective is to engage with companies to make them disclose their climate impacts and reduce their climate risks. 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.

**We exclude companies that derive more than 25 per cent of their net sales from activities related to coal production or the use of coal in energy production.**



**” By divesting, we also give up the shareholder’s opportunities for engagement, leaving the problem to persist.**

### **Engagement and cooperation**

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. We strive to engage with our investments either by ourselves or in cooperation with other investors and stakeholders. We prefer engagement projects involving a significant number of other investors, as engagement is usually more effective this way. Public commitments and declarations are a visible way of attracting attention to important matters. Goal-oriented

Additional information about Elo’s engagement-related partners and actions is provided under “Risks and opportunities relating to climate change in accordance with TCFD”.

### **Ownership policy and dialogue**

Elo aims to provide support and encourage companies to succeed and increase their shareholder value over the long term. As a long-term shareholder, Elo wants to promote the responsibility of its investments and supervise compliance with good corporate governance. The key aspects of Elo’s





ownership policy include transparency, responsibility, reliability and the equal treatment of shareholders. **(GRI 103-3)**

Elo's ownership policy steers Elo's operations as a significant and active shareholder. The ownership policy describes matters that we consider important in the companies in which we are shareholders and in the selection of new investments. In particular, ownership steering is used in direct listed equity investments, and it applies to equity investments in Finland and abroad. 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.

We published our new ownership policy in June 2019. The updated policy highlights the significance of responsibility in increasing shareholder value. We also emphasise the importance of incorporating the perspective of respon-

sibility into the remuneration of management in addition to their economic impacts.

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 Sustainable Development Goals through their business operations.

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 board sand engaging in regular dialogue with the management and, if necessary, Boards of Directors of the companies.

Attendance at general meetings (% , number) <b>(GRI FS10)</b>	2019	2018	2017
<b>Direct equity investments</b>			
Attendance at general meetings in and outside of Finland (number)	151	111	85
Attendance at general meetings in Finland (%)	95	95	~100
Attendance at general meetings outside Finland (number)	88	50	
<b>Unlisted investments</b>			
Attendance at general meetings (%)	63	56	65
Coverage of investment assets (%)	98	98	98
<b>Associated companies related to real estate investments</b>			
Attendance at general meetings (%)	97	96	
Attendance at general meetings (number)	36	24	
<b>Infrastructure investments</b>			
Attendance at general meetings (%)	100	100	75
Coverage of investment assets (%)	100	100	90



As a rule, Elo attends the general meetings of all the Finnish companies in which it has a significant shareholding or attendance is appropriate due to other reasons. A proxy advisor's services can be used in attending general meetings.

Where necessary, we vote in deviation from or against the proposals 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.

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

In 2019, Elo was represented on the nomination boards of eight companies in Finland. Information about the memberships of Elo's representatives in the nomination boards of listed companies is available on Elo's website.

In 2019, we voted in deviation of a proposal in the general meeting's agenda in questions relating to good corporate governance, remuneration and the election of Board members in a total of 36 agenda items at the 34 general meetings we attended. Elo voted in favour of the proposal of a consortium of shareholders, Climate Action 100+, at BP's general meeting, urging BP to commit to

reporting more transparently on climate change-related aspects, such as the company's investments. The company also undertakes to specify short-, medium- and long-term indicators relating to the achievement of the goals of the Paris Agreement.

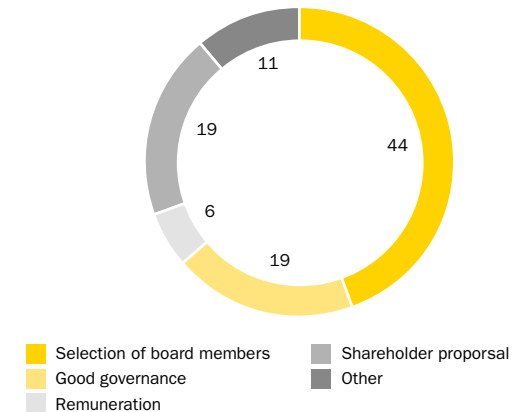
We meet regularly with representatives of the management of the companies in which we hold an interest. One of the purposes of such meetings is to ensure that the company operates on a sustainable basis and meets the responsibility requirements we have for our investments. During 2019, we engaged in dialogue with more than 330 companies either by ourselves or together with other investors.

#### 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 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 the sector in Finland and abroad during the year.

During the year, Elo's representatives were also involved in the work of Finland's Sustainable Investment Forum (Finsif) and Sitra's national impact investing steering group.

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



### Reporting

In its own reporting, Elo complies with its own openness principles and commitments as well as the regulations set for it as an employment pension company. Elo reports annually on the achievement of the objectives of respon-

investments. We also report the carbon sink and carbon storages of our forest investments.

Elo publicly supports the reporting recommendations of the TCFD (Taskforce of Climate Related Financial Disclosures) for reporting the risks and opportunities associated

foundation for risk management in responsible investing. Moreover, we aim to find the best partners in the international market to support investment operations also from the point of view of implementing the responsible investment strategy.

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 portfolios. Exclusion is also one way to manage responsibility-related risks.

More detailed information about Elo's way of identifying and managing climate change-related risks and opportunities is provided in the Annual and Responsibility Report under Risks and opportunities relating to climate change in accordance with TCFD.

### Monitoring solvency as 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. **(GRI 103-1)**

Elo's solvency ratio strengthened clearly in 2019 compared to the level at the end of 2018. The solvency capital totalled EUR 5,081.8 million at the end of the year. The solvency ratio was 124.4 per cent. The solvency capital was 1.6 times the solvency limit.

**” In 2019, the PRI ranked Elo's investment operations in the best categories. Governance and strategy of responsible investment and direct equity investments received the highest possible grade of A+. The grade received for the other asset classes was A.**

sible 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 are committed to annually report on our operations and the development of responsible investment. The PRI assessment of the responsibility of Elo's investment activities in 2018 was published in August. PRI rated the full range of Elo's investment activities in the best possible categories. Elo received the highest possible grade of A+ for its strategy of responsible investment, the management of responsible investment and the company's direct equity investments. The grade of other asset classes was A.

As a signatory to the PRI Montreal Pledge, we have annually reported the carbon footprint of our investments since 2015. Currently, we report the carbon footprint of our equity and corporate bond investments and real estate

with climate change. We reported on Elo's investment operations for the first time in line with TCFD for 2018. The development of Elo's TCFD reporting continues.

In June, Elo came second at the Transparent Asset Owner Awards in the category of medium-sized and small investors (investment assets not exceeding EUR 25 billion). The purpose of the awards is to recognise global best practices in responsible investing and the transparency of ESG reporting.

### Risk management as part of responsible investments

Elo is committed to investing its managed assets responsibly in accordance with a systematic investment process and considering the responsibility of investments as part of investment decisions. Responsibility for the investment organisation's own operating methods is a significant part of risk management. Elo's Principles of Responsible Investing, ownership policy and climate strategy lay the

# The real estate sector plays a key role in reducing emissions

**Sustainability in business is the foundation for the competitiveness and success of investing in real estate. Approximately 40 per cent of the energy consumed in Finland is used in buildings, and buildings account for more than 30 per cent of all emissions.**

Sustainable real estate business has a significant impact on mitigating climate burden. It includes improving energy efficiency and increasing the use of renewable energy sources, recycling of materials as well as property and urban development that takes environmental impacts into consideration.

In addition to environmental responsibility, sustainable real estate business also covers the elements of economic and social responsibility throughout the supply chain. Apart from taking environmental matters into consideration, developing the structure of the real estate portfolio to ensure long-term returns, responsible operating principles of the supply chain and enhancing the customer experience are prerequisites for successful real estate investments.

During 2019, we continued e.g. the implementation of energy efficiency measures in our real estate investments and reformed our energy management system, migrated

to using green electricity, deployed our first solar power plant, updated the procurement principles for maintenance operations and developed the measurement of the customer experience.

## Developing energy efficiency and cooperation

The modernisation of building automation systems started in 2018 was continued in residential properties, and 1,300 apartments were equipped with temperature and moisture sensors in this context. The system provides more accurate and energy-efficient control of the properties. In addition, living conditions, such as the functioning of ventilation, can be monitored better. The possibilities of remote-controlling the building automation were also enhanced in the properties.

An extensive survey of waste management was carried out in office properties. As a result of the survey, the waste management processes of the sites could be rationalised to a significant extent. This will also be visible in







## We migrated to using green electricity

During 2019, we continued e.g. the implementation of energy efficiency measures in our real estate investments and reformed our energy management system, migrated to using green electricity, deployed our first solar power plant, updated the procurement principles for maintenance operations and developed the measurement of the customer experience.

lower waste management expenses in the future. In addition, plastic collection was launched in more than 50 residential properties. The recycling of plastic packaging significantly reduces the amount of mixed waste.

Energy management practices were developed in the real estate portfolio, the energy monitoring software was revised and developed to better support energy manage-

the largest partners will also be made more effective with regular development meetings, reviewing the separately set goals.

We revised our electricity procurement strategy in 2019 and migrated to wind power. As of the beginning of 2020, wind power from Exilion Tuuli Ky, partly owned by Elo, will be used at our electricity procurement sites.

## ” 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 2025.

ment. The software allows faster reactions to deviations. Monitoring the impact of the energy efficiency measures taken in the properties will thereby become more transparent.

Quality control criteria were specified further in conjunction with the update of the procurement strategy. The responsible practises of partner companies are an essential element of quality. The maintenance log and energy monitoring are utilised in the follow-up. Cooperation with

In our strategy, we are committed to a reduction of 7.5 per cent in energy consumption by 2025. Separate agreements have been concluded on this with regard to office space (TETS) and residential properties (VAETS).

We took part in Motiva's energy-saving week in office and residential properties. Office users were provided with recycling training, a drive collecting electronic waste and an opportunity to have their bicycles maintained at Elo properties. Also residents were encouraged to propose

### Key environmental figures of direct real estate investments in Finland (GRI 302-2)

	2019	2018	2017
Energy consumption of direct owned properties, MWh (GRI 103-3)	117,600	125,974	121,224
Greenhouse gas emissions, tCO <sub>2</sub> e	14,781	24,460	21,927
Emission intensity, kgCO <sub>2</sub> e/m <sup>2</sup>	27.4	46.3	42.9
Water consumption, m <sup>3</sup>	421,022	423,386	421,959
Waste office properties, tonnes	898	985	–
Recycling rate, %	61	51	–

environmental development measures. The proposals received from residents concerned e.g. recycling, guidance of customers and energy-efficient solutions relating to lighting, water consumption and renewable energy, for example.

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 customer satisfaction monitoring process was continued in 2019 in cooperation with our management companies.

Metrics of the quality of operations were also adopted with the largest management company in 2019. Apart

investment company that has invested in three wind power farms with a total capacity of approximately 65 MW in Finland. Furthermore, we invested in wind power in the Nordic countries and solar energy via a global fund during the year.

Elo is one of the owners of the Sello shopping centre, which uses Finland's first virtual power plant. The most essential parts of the virtual power plant are the large-scale solar power plant and the energy storage located in the property. They allow the shopping centre to adjust its energy consumption as necessary. Sello was also the first European shopping centre to be awarded the LEED Platinum environmental certification.

Ten residential properties in Espoo and Järvenpää

## ” Elo revised its electricity procurement strategy and transitioned to using wind power.

from customer satisfaction, they include metrics for energy efficiency and quality of maintenance service providers. In addition, the partner was further committed to compliance with Elo's Code of Conduct via an online training environment.

### **Elo will continue to invest in renewable energy**

We continued to invest in renewable energy. Early in the year, we took part in establishing the Exilion Tuuli

migrated to using renewable district heating. From now on, these buildings will be heated with 100% renewable heat sources. At the same time, the impact of peak power cuts will be investigated more extensively with the heating provider. Both the heating provider and the owner benefit from reducing the peak power. The heat provider can utilise its network more efficiently, while the owner benefits from lower energy costs.

### CASE



A large office property on Rajatorpantie 8 deployed Elo's first solar power plant in the autumn. Almost 600 solar panels were installed. The peak power of the system is 180 kWp and its estimated annual energy production is 150 MWh. This is roughly equivalent to the annual consumption of property electricity of three apartment buildings.

We take environmental and climate impacts into consideration.

Elo is committed to supporting the TCFD (Task Force on Climate-related Financial Disclosures). TCFD is a framework for assessing and reporting the financial impacts of the risks and opportunities associated with climate change for companies and investors alike. According to the recommendations, the reporting body should describe how climate aspects are visible in its governance, strategy and risk management, and which goals and metrics it uses in climate-related matters.

As part of the TCFD disclosure framework, investors need to describe how their investments are aligned with

the transition to a low-carbon society. The reporting framework prepared by an expert group was published in 2017, and currently more than 800 businesses globally have undertaken the TCFD recommendations.

The biggest risks and opportunities associated with the impacts of climate change relate to Elo's investment assets. The impacts of Elo's own operations are minor. Indirect risks may arise through the business operations of our customers. This section compiles information about Elo's climate risks and opportunities in accordance with the TCFD.

## Risks and opportunities relating to climate change in accordance with TCFD

The transition to a low-carbon society aligned with the Paris climate goals requires businesses, investors, consumers, governments and legislators to work together for achieving the goals.

The two-degree global warming goal set in the Paris Agreement will not be reached even if the parties to the Agreement implemented their current Nationally Determined Contributions (NDCs). According to the IPCC (Intergovernmental Panel on Climate Change), the implementation of the current NDCs will lead to the climate warming by 3.2 degrees by 2100.

Individual responsible, proactive and conscious investors can adjust the industry and country allocation of their investment portfolios to low-carbon, invest in renewable energy, exclude and divest the most carbon-intensive investments, but on the whole, the world is still strongly carbon intensive. This has impacts on all financial operators, including investors.



### Management of climate risks and opportunities

Risks to Elo's investment operations resulting from climate change and its impacts are identified and managed particularly via the climate strategy approved by Elo's Board of Directors. The principles of responsible investing and ownership policy also include guidelines on climate-related matters. In the principles of responsible investing, we have

We believe that the transition to a low-carbon society and adjusting to the impacts of climate change will provide a lot of new investment opportunities. In the climate strategy, we use the UN Sustainable Development Goals as the framework for assessing and monitoring the positive impacts of our investments on environment or society. In the ownership policy, we recommend that companies

## ” Alignment with the Paris Agreement requires the cooperation of various stakeholders.

excluded companies that generate more than 25 per cent of their net sales from activities related to coal production or the use of coal in energy production without a clear strategy for reducing the use of coal. In the ownership policy, we recommend that our investments report on climate matters in accordance with the TCFD reporting recommendations, including an assessment of the impacts of climate change on business operations.

report how they contribute to the achievement of the UN Sustainable Development Goals through their business operations.

Climate aspects are reported to the Board of Directors as part of regular reporting over the year. Furthermore, the Board of Directors approves Elo's annual and responsibility report, TCFD report and the non-financial disclosures of the Board of Directors' report.

### PRICE FOR CARBON RISK

Determining a price for carbon risk has increasingly gained foothold in global societal debate. It is a climate policy tool for governments, and many companies have begun to use an internal price for carbon risk in aiming to observe the climate risks and opportunities of their operations. Some investors have also tested how the possible price of carbon risk would impact their investment portfolios. In practice, the price for carbon risk can be specified through carbon tax or on diverse marketplaces. In recent years, projects have been launched in China, the United States and Asia, among others.

The Executive Group of Investments is responsible for taking the risks and opportunities associated with climate change into consideration in investment operations. It is also responsible for preparing and updating the climate strategy and principles of responsible investing and the ownership policy as well as for setting goals. As part of its work, the Executive Group of Investments also specifies how the principles and goals are integrated into investment operations in practice.

The Executive Group of Investments is supported by the Responsible Investment and Ownership Steering Groups. The Responsible Investment Steering Group coordinates the identification and management of climate risks and opportunities as part of the development of responsible investment. The steering group regularly monitors the achievement of the objectives set in the principles of responsible investing and climate strategy. The Ownership Steering Group monitors the

operations of our investments with regard to the ownership policy.

Each employee of the investment organisation is responsible for the implementation of the principles and practices that guide responsible investing and taking climate matters into consideration. Every employee engaged in investments receives regular training on responsible investing and, in particular, taking climate aspects into consideration. **(GRI 103-2)**

### **The climate strategy takes the risks and opportunities relating to climate change into consideration and encourages seizing opportunities**

Our view is that climate change and its impacts result in risks in our investment environment and Elo's investment operations. We also believe that the transition to a low-carbon society and adjusting to the impacts of

climate change will provide a lot of new investment opportunities. Our climate strategy aims to diversely both review and manage climate risks and seize the investment opportunities introduced by climate change. **(GRI 103-2)**

Climate risk refers to the risk to business and society at large due to 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.

Some of the goals of our climate strategy are set to realise by 2020, and we will be preparing a new climate strategy in 2020.

## **Direct and indirect impacts of climate change on Elo**

	Indirect risks, impacting Elo via investments and service providers		Risks directly having an impact on Elo
	Physical risks	Transition risk Transition to low-carbon society	Financial market system risk
<b>Manifestations</b>	Natural disasters	Political Legislation Technology	Cannot be managed through diversification
<b>Management</b>	Diversification	Diversification	Engagement
<b>Significance in different climate warming scenarios</b>	4–6 degree scenario	> 2 degree scenario	All scenarios, significance grows in higher degree climate warming scenarios

### Evaluation and reduction of carbon risk

As an ongoing goal of the climate strategy, we strive to ensure that our investments do not involve excessive climate risk. In order to evaluate and monitor this, we calculate the carbon footprint of the assets and use the results as part of assessing the climate risk. Elo uses the measurements to better understand and manage the climate risks and opportunities associated with its

investments. With regard to carbon risk, we assess the level of the risk associated with the investment, its development and the ranking of investment within its sector.








Carbon footprint is an important metric, but not the only one, in reviewing climate risk. It is not suitable for assessing the climate risk of an investment by itself. Other factors also need to be taken into consideration besides carbon footprint, such as the fossil fuels on the balance sheet, dependence of the company's business on fossil

fuels, changes in the company's business operations and goals regarding climate risks.

As part of avoiding excessive carbon risk, Elo has also joined the Energy Efficiency Agreement for the property sector. The savings target for 2017–2025 is a minimum of 7.5 per cent of the annual energy consumption of the properties.

The development of the carbon footprint and carbon intensity of Elo's investments are reported under "Metrics and targets".

## Elo is involved in several engagement initiatives and cooperation projects to mitigate climate change

2015–		<b>PRI Montréal Pledge</b> We are committed to annually measure and report the carbon footprint of our managed assets
2015–2018		<b>CDP (2015, 2018)</b> Elo is a member of the water, forest and climate change programmes. In 2018, Elo signed the Investor Action Request, which provides investors with a greater visibility into how the companies in their portfolio manage carbon emissions and energy efficiency
2017–		<b>IIGCC, Institutional Investors Group on Climate Change</b> Elo was the first Finnish investor to join in 2017 IIGCC is a collaborative forum of institutional investors. Its mission is to encourage policymakers, investors and companies to consider the risks and opportunities caused by climate change. As part of the IIGCC, Elo has been involved in engagement initiatives concerning the oil and gas sector and power companies, among others.
2017		<b>Climate Action 100+</b> The aim of the project is to influence over 100 of the world's biggest polluters over the course of five years to make them reduce their emissions, strengthen their climate-related financial disclosures and improve their climate change risk management.
2017		<b>Task Force on Climate-related Financial Disclosures</b> Elo publicly supports the TCFD reporting framework, and reported on 2018 for the first time in accordance with the TCFD
2018		<b>Investor Agenda</b> The initiative has been developed for the international investor community to accelerate and scale up the actions that are critical to tackling climate change. At the same time, Elo undertook to issue guidelines for coal. The principles of responsible investing were updated in this respect in 2019.
2019		<b>Letter to the EU leaders</b> In December 2019, Elo signed the IIGCC's initiative to EU leaders, emphasising the achievement of the target for carbon neutrality in Europe by 2050 and aligning all essential EU regulations with the Paris Agreement.  <b>IIGCC Paris Alignment Initiative</b> Elo joined the IIGCC's Paris Alignment Initiative. The aim of the initiative is to investigate how institutional investors could align their portfolios with the Paris climate goals. The initiative aims to review different methodologies and approaches for investors to comply with the Paris Agreement and assess the impact of the different approaches on investment assets.

## Engagement

We consider engaging with the investments to be an essential way of managing climate risks and seizing the opportunities associated with climate change. Companies' strategy and ability to change play a key role in preparing for the impacts of climate change, managing the risks associated with climate change and creating opportunities.

Elo engages both by itself and together with consortiums of other operators and investors. Meetings with companies are a typical way of engaging with an individual investment. We discuss all material responsibility-related matters, including climate aspects, at all of our meetings with companies.

In 2019, we were one of the signatories to the IIGCC's joint letter to EU leaders, emphasising the achievement of the target for carbon neutrality in Europe by 2050 and aligning all essential EU regulations with the Paris

Agreement. Elo is also involved in the IIGCC's Paris Alignment Initiative, aiming to find out how the portfolios of institutional investors can be aligned with achieving the goals of the Paris Agreement.

## Finding opportunities

The UN Sustainable Development Goals (SDGs) act as Elo's framework in evaluating the positive effects of investments. The UN Sustainable Development Goals comprise a globally approved framework for assessing the responsibility and development of investments. Achieving the objectives also requires significant investments and reallocation of capital globally. From the point of view of a global investor such as Elo, achieving the sustainable development goals is also essential with regard to the sustainability of the investment market.

Our long-term objective is that a significant share of our investments will support the achievement of the UN's

Sustainable Development Goals by 2025. This goal applies to direct equity and corporate bond investments and all infrastructure and real estate investments. Elo's goal is to measure the positive effect of investments on environment and society in addition to financial performance, and to systematically increase the share of investments with positive effects in the portfolios.

We report on the development with regard to measuring positive effects under "Metrics and targets".

## Scenario analyses need further development

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. These two categories of risks are inter-dependent. The better we succeed with the transition towards a low-carbon society, the lesser the physical risks of climate change and vice versa.

Scenario analyses can be divided into two main categories. On the one hand, scenario analysis can indicate the specific climate scenario with which the investor's portfolio is aligned. This enables to survey e.g. whether the investor's portfolio is aligned with achieving the goals of the Paris Agreement. On the other hand, scenario analysis can indicate the impact of different climate scenarios on the expected returns of the investor's portfolio.

Scenario analyses are good tools for obtaining increasingly comprehensive estimates of the risks and opportunities brought about by climate change. However, they still



**The UN Sustainable Development Goals are a global framework of sustainability. At Elo, they act as the framework in evaluating the positive effects of investments.**



involve considerable factors of uncertainty, and the scenarios are likely to significantly underestimate the impact of climate change. Making higher-quality scenario analyses would also require more transparent reporting from companies, especially with regard to climate risks and their effects on business operations.

We use scenario analyses as a tool among others in assessing the risks and opportunities associated with climate change. In 2019, we conducted a scenario analysis covering all of Elo's investment assets. According to it, our investments do not involve a carbon risk deviating from the market in the scenarios reviewed. During 2020, we will continue the work to better integrate climate change-related risks and opportunities in the investment strategy. As part of this work, we take part in the IIGCC's Paris Alignment Initiative.

### Risk management

For Elo, climate risk management is part of responsible investment. Climate risks are managed and climate change-related opportunities identified particularly by complying with Elo's climate strategy and principles of responsible investing. We use an external service provider database in addition to our own analyses to manage climate risks.

We continuously develop our methods of assessing the risks related to climate change to further reflect the risks in the different asset classes, sectors and companies. Our goal is to be able to assess whether carbon risk is sufficiently taken into consideration in the valuation of our investments.

Currently, we focus on identifying and managing climate risks and opportunities at the asset class and portfolio level. We investigate the incorporation of risks and oppor-

tunities caused by climate change in the strategic allocation. The current tools do not yet make it possible to assess the impact of climate risks and opportunities on the long-term return on investments. Risk management and measurement of financial impact will become easier with the development of the data reported by the companies on which the analyses are based and the tools used for analysing the data.

### Climate metrics and targets

#### Exclusion

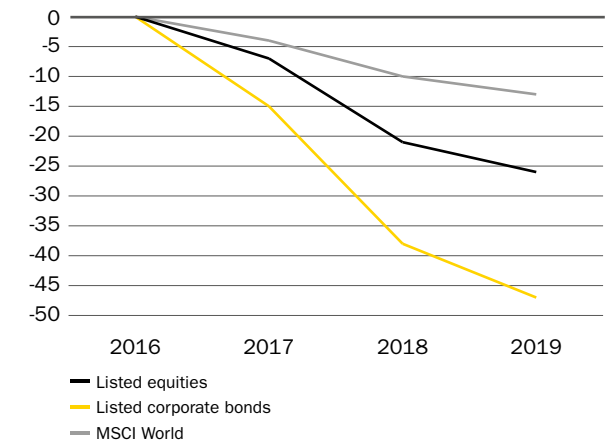
From the point of view of mitigating climate change, we have excluded companies that generate more than 25 per cent of their net sales from activities related to coal production or the use of coal in energy production without a clear strategy for reducing the use of coal. Going forward, we will also consider whether these limits should be lowered, taking the development of the investments into consideration. **(GRI 103-3)**

In 2019, we excluded 116 companies from our investments based on the coal-related exclusion criteria.

### Carbon risk of investments

We commit to measuring the carbon footprint of our investments as a signatory to the PRI Montréal Pledge. We publish our carbon footprint with regard to listed equity and fixed income investments (Scope 1 and 2), and we also extensively report the climate effects of our real estate investments. We also consider the carbon sink of

### The development of weighted carbon intensity of Elo's share and bond investments



our forest investments as part of our carbon risk analysis. The carbon footprint of companies of different sizes can be compared based on carbon intensity, which is calculated based on the ratio of carbon footprint to the company's turnover. We also report the carbon intensity weighted by portfolio allocation in accordance with the TCFD.

#### **(GRI 103-3)**

In 2019, the carbon footprint calculation covered 48 per cent of our investment assets.

## Carbon footprint of investments (GRI 305-1 & 305-2)

Carbon footprint of investments (Scope 1 & 2) and **GRI (305-4)** Carbon intensity (CO<sub>2</sub>e/million USD/EUR) @2017 MSCI

Listed equities	2019	2018	2017
Carbon footprint (tCO <sub>2</sub> e/invested MUSD)	147	180	154
Carbon intensity (tCO <sub>2</sub> e/sales MUSD)	208	215	230
Weighted carbon intensity (tCO <sub>2</sub> e/sales MUSD) (TCFD)	203	219	256
Carbon footprint data coverage	97%	95%	89%
Listed corporate bonds	2019	2018	2017
Weighted carbon intensity (tCO <sub>2</sub> e/sales MUSD) (TCFD)	192	225	308
Carbon footprint data coverage	88%	88%	89%
Direct real estate investments	2019	2018	2017
Carbon footprint (tCO <sub>2</sub> e)	14,781	24,460	21,927
Normalised carbon footprint (tCO <sub>2</sub> e/MEUR)	9,43	17	16
Carbon footprint data coverage	67%	70%	76%
Carbon sink impact of forest investments	2019	2018	2017
Carbon sink of forest investments (tCO <sub>2</sub> )	250,000	220,000	175,000
Carbon storage of forest investments (tCO <sub>2</sub> )	6,500,000	5,800,000	4,400,000

### Positive impact

The goal 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. This goal applies to direct equity and corporate bond investments and all infrastructure and real investments. In addition, we have set as an objective that fund managers commit to take climate change into consideration in their investment operations by 2020.

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

	2019	2018	2017
Direct equity investments	47	45	34
Direct corporate bond investments	59	53	34
Infrastructure and real investments	48	44	44

## Fund managers' climate strategies. How many of the external fund managers take climate change into consideration in their investments (%)

	2019	2018
Equity funds	100	100
Corporate bond funds	100	92
Infrastructure funds	100	69
Real estate funds	67	67
Private equity funds	55	27

Notices: Subscriber shall include the following in all Public Reports distributed in connection with the Authorized Public Use.

(i) Subscriber shall place the following notice in proximity to the Services/Information: "Certain information ©2020 MSCI ESG Research LLC. Reproduced by permission".

(ii) Subscriber will also place the following notice therein: "Although Elo Mutual Pensions Insurance Company's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages."

We manage our customer relationships responsibly and lay foundations for a sustainable working life.

Professional expertise, taking responsibility and caring are the key elements of our customer service.

## Supporting our customers in their day-to-day lives

Employees' statutory pension insurance is arranged through TyEL insurance and self-employed persons' pension insurance through YEL insurance. We want to make the use of employment pension services effortless and serve our customers responsibly so that they can consider us as the best partner in employment pension insurance.

Professional expertise, taking responsibility and caring are the key elements of our customer service. These factors become concrete for our customers through strong expertise in employment pension insurance, keeping promises, taking the diverse situations of our customers into account and helping them.

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 2019, we were responsible for the pension insurance of about 83,300 self-employed persons and for the employment pension insurance taken out by 46,300 employers, covering a total of approximately 410,200 employees.

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.

### Aiming for the best customer experience in the industry

Customer experience is something that genuinely guides activities at Elo, and we have systematically worked on it for several years. The quality of our customer service is the result of several elements. Speed and ease, resolving a case with a single phone call and genuinely caring for the customer are important. Well-functioning service processes and information systems facilitate an excellent experience. We continuously develop our services using feedback received from our customers, analytics and robotics.

In 2019, our insurance services received a total of some 86,700 customer service calls, and our answering rate was very high, approximately 98 per cent. The average waiting time was 25 seconds.

We measure the customer satisfaction of our telephone service by way of the net promoter score (NPS). In 2019, we achieved an excellent score of 86.1 for the customer experience NPS. In connection with the NPS survey, our customers may also provide open-ended feedback on our service. Short time to answer the call, expertise, flexibility and friendliness were repeatedly emphasised as positive things in the feedback.

Resolving the case once and for all is also really important. In fact, 93 per cent of our customers managed to have their case resolved in a single call. Our continuous investments in developing the expertise of our personnel and our services processes will make it possible for as many cases as possible to be resolved from start to end during a single conversation in the future as well.

In addition to telephone service, we provide an online service, which is used by approximately 81 per cent of our TyEL customers and approximately 74 per cent of our YEL customers. The online service provides diverse useful services for our employer customers of different sizes and in different situations.

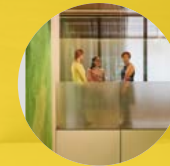
We have also made reforms that serve the needs of accounting firms and brokers and make their day-to-day lives easier. With regard to our entrepreneur customers, the online service includes further enhanced well-known services, in addition to which self-employed persons can manage their YEL insurance-related matters with the Yrittäjän mobiili app. When YEL-related matters are smooth, entrepreneurs can fully focus on running their businesses.

### New features in the online service

We have developed our online service strongly in collaboration with our customers. During the year, we organised customer juries, for instance, providing us with genuine feedback from our customers with regard to the user friendliness of the service, among other things.

New features introduced in the online service include a work community indicator, a tool for monitoring the development of TyEL payments and information on the company's average age of retirement on old-age pension. The service makes it easier for our customers to plan and develop their business operations.

## CASE



### Making insuring easy for light entrepreneurs

Elo considers it important for light entrepreneurs to take out YEL insurance for themselves easily when the prerequisites for YEL insurance are met. In 2019, Elo signed a cooperation agreement with the Eezy Kevytyrittäjät invoicing service company. Eezy's customers can take out YEL insurance from Elo and amend it directly via Eezy's online service. In addition to Eezy, Elo is involved in the Polku service for entrepreneurs. Entrepreneurs can use the service for procuring products and services they need, such as YEL insurance from Elo.



In 2019, we carried out work relating to the Accessibility Directive in our online services. The Accessibility Directive improves the quality of digital services.

### **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 loading and the share of it used to cover operating expenses. In 2019, Elo's operating expenses were 74 per cent of the premium expense loading. For 2019, Elo will transfer EUR 86.9 million to customer bonuses, in other words 0.61 per cent of the TyEL payroll.

### **E-invoicing continues to grow**

The number of e-invoicing customers continued to increase. A total of 44.3 (36.5) per cent of our TyEL customers and 32.5 (24.4) per cent of our YEL customers have chosen e-invoicing. E-invoicing can be enabled easily in our online service.

Self-employed persons who pay their YEL insurance themselves can adopt e-invoicing through their online banking facilities. 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.

### **The income register was introduced successfully**

The national incomes register was adopted in January 2019. The adoption of the national incomes register represented a major change for our customers as well as Elo, with notifications submitted to the incomes register replacing previous payroll notifications submitted directly to the pension insurance company, for example. Our aim was to manage the transition to the incomes register so that the customers will continue to be given the best customer service in the industry as well as the best information possible about the impact of the incomes register on their operations.

Based on our performance indicators and customer feedback, we achieved our goal excellently. For instance, the number of incomes register error notifications and related customer service calls was low. Underlying the smooth transition phase was thorough preparation for the change. We actively communicated about the change to our customers, extensively trained our personnel and made the changes in our systems carefully.

Because payroll notifications are primarily submitted to the incomes register five calendar days after the payment of wages and salaries and the TyEL insurance premiums are therefore real-time and final, early-year peaks with annual TyEL notifications are a thing of the past. The balanced workloads and decreased number of call volumes have, in fact, facilitated increasingly extensive learning and working at Elo. This translates into even better and more proactive customer service for our customers.




### **WE WON THE CUSTOMER'S VOICE COMPETITION FOR THE SECOND TIME**

In May 2019, 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 84.96. The results were based on a comparison of NPS scores of different customer services for 2018. The win was the second one in a row for Elo. Success in the competition shows that the level of our customer service is constantly high, and our customers can depend on us to provide excellent service going forward as well.



### **CORRECT LEVEL OF YEL EARNED INCOME PROTECTS THE ENTREPRENEUR**

The social security of a self-employed person is based on the earned income confirmed in the Self-employed Persons' Pension Insurance, YEL. In addition to employment pension, it provides security in diverse situations in life, such as when falling ill, having a baby and unemployment. As the biggest self-employed persons' pension insurance company in Finland, Elo wants to ensure that entrepreneurs' earned incomes are at as correct a level as possible and match the self-employed person's work input. Therefore, Elo tells its entrepreneur customers actively and understandably about the importance of the confirmed earned income to the self-employed person.



### **FIVE MISCONCEPTIONS ABOUT ENTREPRENEURS' PENSION INSURANCE – DOES NOT ONLY HAVE EFFECTS ON THE AMOUNT OF OLD-AGE PENSION**

Most self-employed persons think that YEL insurance premiums only have effects on the amount of old-age pension. However, the earned income specified for the pension insurance has direct and extensive impacts on the self-employed person's social security, from sick pay to disability pension..

9 April 2019 Article

**Read more (in Finnish) >**

# Financing that takes our customers' needs into account

**With Elo's diverse financing products, we support the profitable growth and competitiveness of our Finnish customer companies together with our financing partners We take the individual financing needs of our customer companies into account in a solution-oriented way.**

Each year, we process some 200 financing projects following contacts from our customers or partners. Our financing complements the offering our financing partners, such as banks, Finnvera and accident insurance companies. We carefully review each financing project listening to the customer, which allows us to provide the best option possible. Our experts can provide guidance to customers on building a financing solution through our network, even when we are unable to offer financing ourselves.

Our primary financing products are relending and growth 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 comply with our principles of responsible investing in the financing decisions.

**” We help facilitate Finnish companies' competitive edge with financing solutions.**



# Stronger working capacity through cooperation based on information and needs

**With the population ageing and incapacity for work becoming more common, long careers with as few disruptions as possible are more important than ever before. We are closely involved in the day-to-day lives of our customers, fostering strong expertise in working capacity management in this challenging situation.**

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 services is to help to secure our customers' expertise in working capacity management.

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 working capacity management services. 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.

In October 2019, the Financial Supervisory Authority issued guidelines on disability risk management to employment pension insurance companies, and we began the preparations for implementing the changes brought about by the new guidelines. The work requires interval investigations and evaluations at Elo as well as finding solutions that work.

Our aim is to ensure that our customers' working capacity management programmes partly funded by us support extending careers, thereby lowering disability risk over the long term. In accordance with the requirements of the Financial Supervisory Authority, we have developed tools relating to surveying risks and monitoring effectiveness.

## Working capacity develops and changes during careers

The transformation of working life and increase in the pensionable age are material challenges to working capacity and extending careers in all sectors across Finland.

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





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 in working capacity management services are management's partners in detecting and preventing working capacity 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. Also later 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. Furthermore, we aim to help companies to develop existing and new processes for supporting working capacity in different points of the career.

#### **BLOG 4 OCTOBER 2019: What's up with Finns' working capacity?**

The number of disability pensions turning to a rise after a long downward trend has gotten people talking and given rise to concern. There are many reasons for depression, but workplaces can do a lot to support working capacity.

**Read more (in Finnish) >**

#### **Working capacity management facilitates companies' success**

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 high-quality working capacity management. Concrete results are seen in sickness absence and disability costs and the productivity of the company over the long term. 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 to assess their strengths and personnel risks. Our working capacity management development managers work as management's partners in managing personnel risks. Thanks to our extensive network, we reach our customers across Finland. Our local experts receive excellent feedback from our customers as well as partners.

We continuously monitor the effectiveness of our work with metrics developed for measuring the effectiveness of

#### **CASE**



#### **Guidance for managers in a convenient guide**

As requested by our customers, we compiled a working capacity management handbook for managers in 2019. It provides concise and easily approachable practical tips for good day-to-day management practices. The handbook includes readymade operating models with which the manager can support the working capacity of employees, even in difficult situations. With the "boss mirror" toolbox in the handbook, managers can test their own skills in different areas of working capacity management and challenge themselves to develop further. The handbook is available to all of our customers free of charge in Finnish, Swedish and English.

the programmes. 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.

### Training develops and maintains our customers' working capacity management expertise

During 2019, we organised a total of 32 working capacity management training sessions open to all of our customers and also made several training videos for our online service. Representatives of approximately 830 customer companies attended the events in 10 locations around Finland.

The content of the training sessions is built based on our customers' needs and working capacity management challenges that Elo's experts consider to affect and hinder the day-to-day operations and success of our customer companies. The training provides help and insight into challenging situations in managerial work, early support of the employee, mentoring leadership and encountering young employees, among other things. Our customers considered the 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 96.7 per cent would recommend it.

Elo arranged four Super Specialist training courses in 2018, with 116 persons responsible for working capacity management at 81 customer companies attending. 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 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 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 Super Specialist in working capacity training package was 79.

During 2019, we also implemented the first pilot project of the Master at working capacity management online training course for SMEs. The training was the first fully web-based training to offer SMEs a package focusing on the basics of working capacity management in a form that is as easy to approach as possible. The online training was started by 50 customer companies and completed by 43 persons. The NPS for the Master at working capacity management online training was 50.

The Master at working capacity management online training will be incorporated in the service offering for SME customers. It aims at providing SMEs with education appropriate for their industry, size and working capacity risks in matters relating to working capacity management.

### 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 working capacity management, 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.

SMEs are significant employers in Finland. SME customers have become considerably more active as users of working capacity management services, and Elo's aim is to educate companies of all sizes about the benefits of working capacity management.

#### BLOG 10 DECEMBER 2019:

#### Young people need safe guidance at work

Anxiety and depression are visible as increased incapacity for work among young people. If a manager or colleague gets worried about a young person, it is the time to stop and ask if they are OK.

[Read more \(in Finnish\) >](#)

## We take care of current and future pensioners

**We are responsible for the pension security of 240,900 (237,900) current pensioners and more than 493,600 (520,000) future pensioners. In 2019, the amount of pensions paid out totalled EUR 3,413 (3,265) million.**

Retiring ends the career and 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, day-to-day lives and personal livelihood. The effects also extend to the families of our customers. In different situations in life, different options become necessary. Therefore, it is important for our customers to find out the possible alternatives to retiring.

In major changes in life, effortless and flawless service and fair and equal treatment make everything easier. The timing or alternatives to retiring are not always simple. Therefore, we regularly keep in touch with our customers of different ages so that they know the different retirement options.

In 2019, we granted approximately 26,000 (25,200) pensions based on application, or 3 per cent more than the previous year. Because it is important 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. **(GRI 103-3)**

### **No unnecessary interruptions in our customers' livelihood**

Elo's customers have received pension decisions faster than the customers of other employment pension companies for years. In 2019, we made pension decisions 9 (8) days, or is 25 (20) per cent, faster on average than the overall average for other employment pension companies. We issued decisions on applications of self-employed persons 33 (30) per cent faster than the average for other pension companies. **(GRI 103-3)**

Our customers can also expect quick decisions when their pension is partly derived from other countries. If the pension applicant has worked in another EU Member State in addition to Finland, they get the decision on their pension from Elo in half the time on average compared to the industry average. Receiving pension decisions will become even faster when we migrate to using the Electronic Exchange of Social Security Information system with other EU Member States.

### **Taking care amidst a major loss**

A parent's death shakes the sense of security of our customers. During 2019, we have communicated with our custo-

mers who have lost a spouse about their right to pension without them having to contact us first. In 2019, we made 2,106 decisions on survivors' pension in 15 days on average, which is 6 days faster than the average for other employment pension companies.

### Premium customer service is our daily goal

Our customers deserve uncomplicated and expert service across all of our channels. During 2019, we continued long-term investments in multi-channel services and increasing ease of their use, especially online. Depending on the benefit, we receive approximately 40 per cent of applications through electronic channels. Our customers applying for pension can easily take care of the application process and receive their pension decision efficiently and easily via our online service.

Our customers are very satisfied with the service they receive from Elo. In pension services, we answer customers' calls within 11 seconds on average and our response rate is 99 per cent. The NPS for our telephone

service was 70. Of the people responding to our pension service satisfaction survey, 88 per cent considered Elo very good. In particular, our customers have lauded us for our expertise, service attitude and availability.

#### (GRI 103-3)

In 2018, we continued the development and further expansion of our online service. We deployed new services, such as electronic applications for surviving spouse's pension and foreign pension as well as displaying paid expense allowances for rehabilitation in the online service. In addition, we made reforms relating to the accessibility and ease of use of the online service. We engage our customers in developing the online service by e.g. collecting customer feedback through the online service 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 59.

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.

New technological solutions, such as robotics and data analytics, 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. Thanks to automation, the work of our pension specialists has become so much faster that our customers can receive the decision on their application for partial early old-age pension the very same day.

### The incomes register has made old-age pension decisions faster

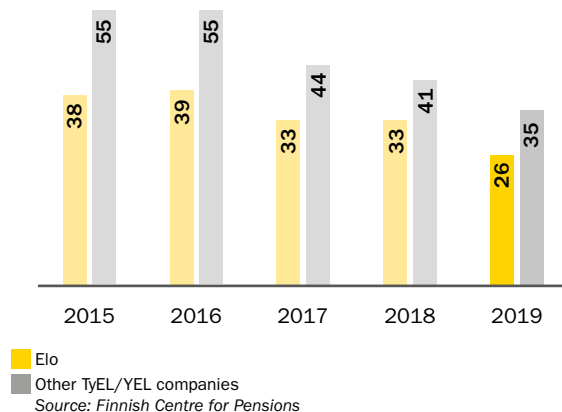
The incomes register deployed at the beginning of 2019 had a significant impact on granting old-age pension decisions and our customers' livelihood. For us to be able to grant old-age pension and calculate its amount, the employer must report the termination of employment and last payroll data to the income register.

Thanks to the incomes register, Elo's customers have received decisions on their old-age pensions even faster than before. When the application is received, the customer is granted a temporary pension decision on the basis of the earnings data in the incomes register. Previously, Elo has had to request the information from the employer. The customer is given the final decision when the pension applicant's employer has reported the final earnings to the incomes register.

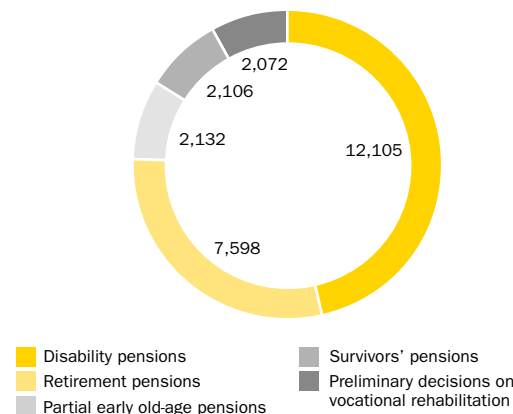
The incomes register will probably shorten the processing times of applications for other pension types as well in the future.

As of the beginning of 2021, 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.

### Pension application processing times, days



### Number of pension decisions by pension type





# Rehabilitation gives a new opportunity at work

**No working career needs to end prematurely due to reduced capacity for work. Vocational rehabilitation provides an opportunity for those with challenges to continue working with an adjusted job description or even through re-education.**

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 2019, there were approximately 2,800 (2,900) people in Elo's vocational rehabilitation.

Musculoskeletal disorders were the most common cause (45%) for applying for rehabilitation. Mental health disorders were the cause for applying for rehabilitation among 27 per cent of the applicants. The number of accepted applications for vocational rehabilitation due to mental health-related causes increased by 7 per cent. The most typical rehabilitation methods were trial work and job coaching.

During 2019, 73 (71) per cent of those in Elo's vocational rehabilitation were able to return to the labour market. **(GRI 103-3)** Correct timing, an appropriate rehabi-

litation plan and the rehabilitee being motivated are crucial to the success of rehabilitation. On average, Elo processed preliminary decisions on vocational rehabilitation in 17 (19) days.

In 2019, we issued 2,070 (2,000) preliminary decisions on rehabilitation applications. We also issued some 1,100 (940) 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 2019, we made 12,105 (11,500) disability pension decisions by application, which is over 5 per cent more than in 2018. Disability is usually brought about by psychological or musculoskeletal disorders.

**During 2019, 73 per cent of those in Elo's vocational rehabilitation were able to return to the labour market.**



The Pension Appeal Board changed only 10.0 per cent of Elo's disability pension decisions appealed by Elo's customers. For all pension institutions, the corresponding figure was 13.0 per cent. During 2019, Elo rejected 32.1 (30.6) per cent of new disability pension applications, which is more than the previous year. The rejection rate of disability pensions increased throughout the employment pension industry. In total, pension employment companies rejected 33.7 (31.6) per cent of new disability pension applications.

For the first time during the existence of Elo, mental health disorders were the most common reason for new disability pensions in 2019. The share of psychological causes in disability pension applications increased by 18 per cent compared to 2018. The growth has been similar in the employment pension insurance industry in general.

### Developing rehabilitation is necessary

We want to rehabilitate people successfully back to work, not settle with prolonging retirement on disability pension. We want our customers to find a place in working life that they can cope with in the long term.

In 2019, the Finnish Institute of Occupational Health published research results on the impact of vocational rehabilitation with regard to rehabilitation periods that began in 2008–2010. According to them, vocational rehabilitation only has a slight positive effect. The results indicate that vocational rehabilitation needs other measures to support it, such as more extensive adjustment of work and longer-term support at the workplace. Also, the study considers the development of rehabilitation activities to be important.

The research results strengthened our own view of the need for developing the content of vocational rehabilitation. Therefore, we have invested a lot in identifying the strengths and weaknesses in order to find possible paths for taking vocational rehabilitation in a more effective direction.

### Incapacity for work is on the rise – no obvious reason found so far

The number of disability pension applications increased in 2019. No obvious single reason for the increase in the number of applications was found. The number of applications for vocational rehabilitation increased less than the number of applications for disability pension. In 2019, we received 3.7 per cent more rehabilitation applications than in 2018.

Reacting to challenges with working capacity at an early stage and timely support can prevent dropping out of workforce. Elo investigates each disability pension applicant's opportunities for receiving vocational rehabilitation and find work that suits their health. Rehabilitation and business subsidies are also available to self-employed persons.

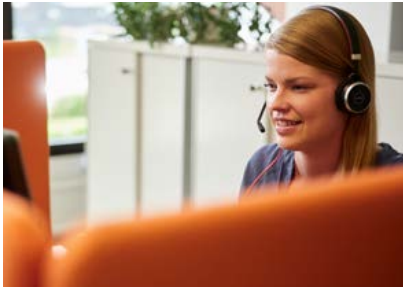
It is our important task to ensure that employers understand the importance of surveying disability risks and preventing them. As part of our work, we aimed to make sure that employers are aware of the importance of regularly monitoring disability pension risks.

We also support employers in preventing disability risks and provide them with ready-made practical tools for preventing disability.

### 9 May 2019 BLOG: Active development of vocational rehabilitation is necessary

According to a study by the Finnish Institute of Occupational Health, vocational rehabilitation only has a slight positive effect. Increasing financial investments in rehabilitation make it even more important to enhance its effectiveness. We want to rehabilitate people successfully back to work.

**Read more (in Finnish) >**



## 17 July 2019 ARTICLE: Telephone service in sign language

Elo uses a telephone service for sign language customers, using the Chabla app. The service connects the deaf, the hearing and sign language interpreters, which makes it possible for deaf customers to use telephone services in matters relating to pensions and employment pension insurance.

**Read more (in Finnish) >**

## Making the lives of rehabilitees who are studying easier

The Koski service with nationwide study credit and degree data from different educational institutions was deployed in Finland at the beginning of 2018. Different authorities make use of the data in Koski – including we at Elo.

With regard to Koski, we particularly saw an opportunity to make the day-to-day lives of our customers who are studying and receive rehabilitation allowance, so that they can spend their time and energy on what is the most important: studying something new and use it to return to work.

One of the means of vocational rehabilitation is studying a new sector or occupation. Before Koski, we monitored the progress of the studies of our rehabilitees who are studying for a degree by requesting them to submit a paper transcript of study records by letter. After all, progress in studies is a prerequisite for the rehabilitation allowance. In addition, rehabilitees who study may receive support for buying study materials, such as books.

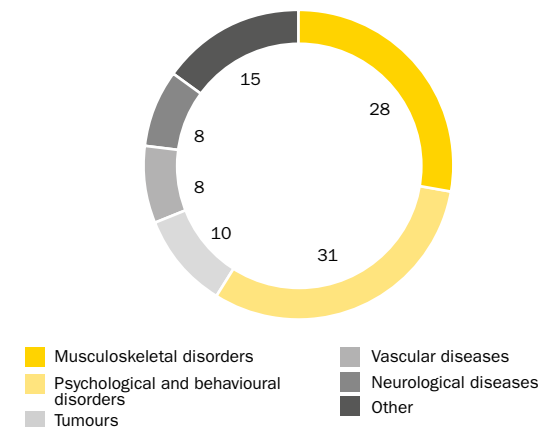
With the Koski registry, studying rehabilitees can submit information about the progress of their studies to Elo in digital format, regardless of place and time.

## 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 between occupational health care 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.

## Medical reasons for new disability pensions granted in 2019



We see to the employees' well-being at work and competence development as well as promote equality.

We want to be an appreciated and developing work community where everyone can learn and experience success. Our aim is to promote an equal working life with our own example.

## Responsibility for the personnel

**As an employment pension company, we find it important to take care of our employees so that they can take care of our customers in the best way possible.**

Elo employs some 530 employment pension insurance professionals as specialists in pension insurance, IT administration, finances, well-being at work and investments.

Our HR vision is: "We want to be an appreciated and developing work community where everyone can learn and experience success." We increase our competitive edge with our thriving personnel that is committed to development and ready for change as well as through goal-oriented management. Reforming competence is a key theme in the strategy.

### Results from systematic work

Elo annually prepares a personnel plan that is based on the business strategy. The plan, prepared together with the personnel in accordance with the principles of statutory cooperation, reviews needs relating to the development of competence, organisation of work, working capa-



The cornerstones, or values, of Elo's corporate culture are as follows: "Elo's business is my business" describes taking responsibility, "Trust and openness" is about appreciation of each other and mutual trust, and "Customer and partner orientation" is about the importance of customers and supporting partners.

city of the personnel and the resources needed.

#### (GRI 103-2)

In addition, the objectives and principles of HR work are laid down in the equality plan prepared once every two years and the annual training plan and well-being at work action plan.

Elo's cooperation forum, corresponding to the joint committee referred to in the Act on Cooperation within Undertakings and the cooperation agreement, engages in dialogue on diverse personnel issues when they concern all or the majority of employees. The cooperation forum monitors the implementation of various plans along the year. (GRI 403-1) (GRI 103-2)

The cooperation forum convened four times during 2019. In addition, HR management and employee representatives regularly meet approximately once a month to discuss topical matters. The results of HR work are regularly monitored by the Executive Group and also annually by the Board of Directors.

#### Results of the personnel survey improved

We annually conduct a personnel survey at Elo. In 2019, 85 per cent of Elo employees responded to the personnel survey. The PeoplePower index for the survey as a whole

was 72.8, winning us the Most Inspiring Workplaces in Finland recognition. Positive development continued for the sixth consecutive year; in 2018, the index was 71.1. In Elo's first survey in early 2014, the index was 61.6.

#### (GRI 103-3)

According to the survey, Elo's strengths included good induction, reasonable workload, good prerequisites for the well-being at work of the personnel, support for the development of competence and feedback.

The survey indicated that targets for development include the bureaucracy of operations and possibilities of engaging in the development of the operations of their immediate working community.

The functions will decide on the targets for development in which they will particularly invest during the next year on the basis of the results. The biggest positive changes were awareness of the cornerstones and objectives of Elo's corporate culture, and they were increasingly perceived as worth striving for. Decision-making was felt to have become more effective, and awareness of expectations relating to one's own work had increased. Immediate supervisors' trust in their subordinates has also improved.

#### BLOG



#### BRINGING YOUNG PEOPLE'S CAREER DREAMS TO LIFE – WITH THE SUPPORT OF BUSINESSES

Young people finding employment is a matter of common interest. Companies can also contribute a lot to young people finding an interesting field of study, internship or first job. Offering summer jobs is one step in this. Elo is among the companies taking part in the campaign for responsible summer jobs.

**Read more (in Finnish) >**

**The focus areas of occupational safety and health was reducing psychosocial stress factors and prevention of musculoskeletal disorders.**



### Working capacity throughout the career

Elo aims to look after its employees' 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.

### Work for those with reduced working capacity

The survey of psychosocial stress factors in 2018 indicated stress factors, the most significant of which at Elo are interruptions, a sense of hurry and a high workload. In 2019, the focus areas of occupational safety and health

” Our objective is for the retirement age of our employees to be at least the statutory old-age retirement age or even higher.

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 are developed and monitored in cooperation involving the occupational safety and health committee, HR services, occupational health care 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 is coordinated by the occupational safety and health committee, which convened five times during 2019. In addition to representatives of employees and the employer, occupational health care specialists take part in the activities of the occupational safety and health committee. **(GRI 403-1)**

was reducing psychosocial stress factors and prevention of musculoskeletal disorders.

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

We organised a group focusing on sleep and sleep issues together with occupational health care in spring 2019. The aims of the group, targeted at people with sleep issues, included providing support for recovery and better sleep and thereby resources and health for work. Voluntary physical exercise was encouraged through participation in the Kilometrikisa cycling challenge and diverse theme days, aiming to remind of the importance of a healthy lifestyle as part of well-being.



### Flexibility in 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.

The volume of remote work increased in 2019, and there was a total of 14,028 (11,282) days of remote work. The

” During 2019, Elo launched a diversity and equality project to promote equality.

number of employees working remotely on a regular basis was 191 (182) at the end of 2019. The amount of regular remote work has more than doubled compared to 2014, when there were 88 employees working remotely on a regular basis. The forms of remote work include regular full-time remote work, regular part-time remote work and occasional remote work. In 2019, a total of 23 (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.

Our objective is for the retirement age of our employees to be at least the statutory old-age retirement age or even higher. In 2019, the average retirement age was 63.9 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 13.4 years. The employee turnover rate was 5.9 per cent in 2019. **(GRI 401-1)**

### Promoting diversity and equality

At Elo, equality is a prerequisite for the diversity of our personnel and governance. To be able to genuinely benefit from diversity, we first need to accept the members of the working community as equals and perceive the added value provided by diversity.

Principles of an equal and non-discriminatory workplace are an integral part of our HR policy, and their realisation requires that everyone is committed to the principles. Elo prepares an equality plan once every two years, and its implementation is monitored by the cooperation forum. Statistics of the focus areas are prepared annually, and the results are reviewed by the cooperation forum and published on Elo's intranet.

### NON-DISCRIMINATION IN WORKING LIFE – DOES IT EXIST?

Elo investigated equality in Finnish working life with a survey. Age, reduced working capacity and ethnic background are deemed to be the most significant reasons for unequal treatment and problems finding a job. Women reported that they had encountered unequal treatment by far more commonly than men. Approximately one in five employees feel that equality does not come true for them. However, Finns think that appreciation of diversity is on the rise.

The “Non-discrimination in working life – does it exist?” survey was conducted as an online survey in May–June 2019. The personal characteristics reviewed in the survey were limited to five manifestations of diversity, namely gender, age, reduced working capacity, sexual orientation and ethnic background. A total of 2,020 employees aged 18–64 responded to the survey.

2 October 2019 Study

**Read more (in Finnish) >**

### Equality of employees of different ages is at the core

Elo conducted an equality survey in autumn 2018. The lowest scores of the survey 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. Based on the results, equality between age groups emerged as the key target for development. This target for development was addressed during 2019 by e.g. creating the Elonkaari tool that compiles the models relating to different life phases in use at Elo under a single umbrella.

The 2019 personnel survey included more concise questions about equality-related matters, such as taking the needs and expectations associated with different age periods into consideration, promotion of equality between genders and equality of professional development. There was favourable development in all of the areas.

During 2019, Elo launched a diversity and equality project to promote equality. The areas covered by the project include impartiality of the recruitment process, multicultural work community, recruitment of young people with special needs, employment of unemployed job-seekers, employment of people with reduced working capacity and trial work.

### Zero tolerance for 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 the personnel survey in 2019. Two employees reported in the survey that they had experienced bullying, but no one reported harassment.

Elo has a 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 employer 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)**

### Remuneration policy as part of equality

Elo has 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. A job evaluation system (HAY) is used with regard to Elo's specialist and managerial positions. Elo uses a reward system covering the entire personnel.

The average pay of women in executive positions at Elo (excluding the CEO) was 94 per cent of the average pay of men in 2019. With regard to the rest of the personnel, the average pay of women was 74 per cent of the average pay of men. (GRI 405-2)

” The starting point is a smooth day-to-day life and an understanding of everyone being responsible for well-being at work.

### Reforming competence

The development of the competence of Elo's personnel will play a major role in the years to come. At Elo, competence is not considered to be limited to a person's specific duties. Competence is divided into three areas: the core competences associated with the company's strategy, substance competence associated with one's individual duties and general procedural competence.

In 2019, the focus areas in competence develop-

ment are customer insight development, technology and data analytics expertise as well as leadership. By constantly anticipating competence needs and supporting our personnel in the business transformation, we ensure Elo's competitiveness in the future.

The Elo-level training plan is reviewed by the cooperation forum, and the cooperation forum annually monitors its implementation. Each Elo employees undergoes an annual performance review. The current state of the individual's competence in relation to the target state of the position is assessed and a personal development plan is prepared as part of it. All Elo employees are covered by the performance reviews (GRI 404-3).

Personnel planning discussions were had with managers and executives during the autumn, with the transformation of work, preparing for it and the development of the competence of Elo's personnel as key themes.

### Transformation of working life – Elossa 2030

Elo continued the Elossa 2030 programme launched the previous year in 2019. The purpose of the programme is to awake 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 2019, a total of 21 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 was discussed in the performance reviews of spring 2019, for example.

In the 2019 personnel survey, Elo employees reported that they wished for more opportunities to engage in the development of operations. The results of the 180 survey for executives and managers conducted in the spring, on the other hand, indicated that there is a desire to take management in a more coaching direction. To address this need, a self-guidance pilot group with 10 managers was launched at Elo in late autumn. Based on the experiences of the pilot group, self-guidance workshops will be launched throughout Elo so that all teams will complete the workshops during 2020.

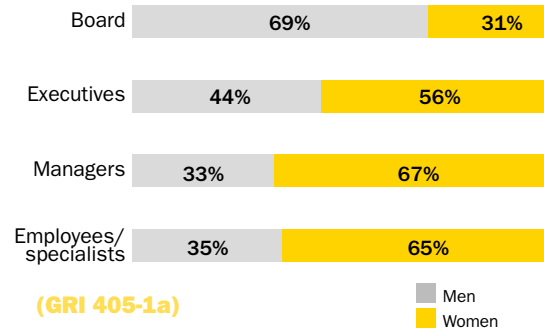
Several new courses were added to the proprietary online course portfolio. All Elo employees must complete courses on Elo's Code of Conduct, data security, safety, continuity management, protection of personal data and operational risks. In addition to online training and webinars, there were approximately 2.5 days of training per Elo employee in 2019. (GRI 404-1)

# Responsibility for personnel in numbers

Personnel indicators	2019
Average work contribution	486.5
Share of women, %	65
Share of men, %	35
Full-time employees, of permanent employees, %	91.5
Part-time employees, of permanent employees, %	8.5
Fixed-term employees, %	8.9
Employee turnover, of permanent employees, %	5.4
Number of sickness absences, day/person	6.1
Average retirement age	63.9

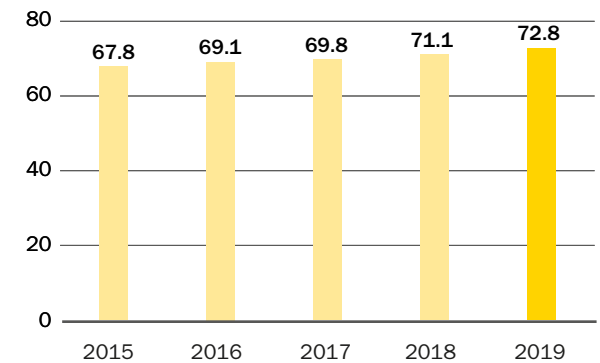
(GRI 403-2) (GRI 401-1b) (GRI 401-1)

Gender balance by position



(GRI 405-1a)

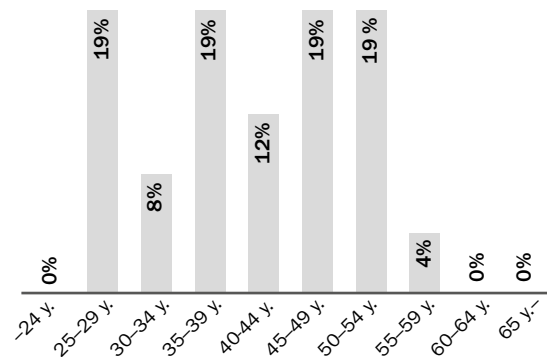
Personnel survey, PeoplePower index development, scale (0-100)



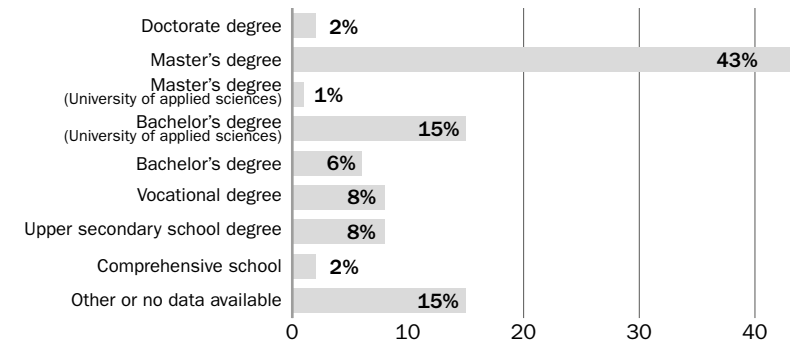
Age distribution of entire personnel



2019 age distribution of recruited people



Education distribution



# Compliance activities underpin ethical practises

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

Elo has a Compliance Officer responsible for managing the compliance organisation. In addition to the Compliance Officer, the compliance organisation comprises people from different units responsible for compliance. Compliance 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 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 observations that are critical or otherwise significant to Elo's operations and severe compliance situations and making decisions

on them. There were no critical compliance risks in 2019. **(GRI 102-34)**

Elo has a whistleblower channel, aimed at allowing the reporting of concerns and abuse related to the Code of Conduct anonymously. The Compliance Officer processes the reports and submits the matter to the compliance board to decide on, if necessary. No reports were received via the whistleblower channel in 2019, but five cases were reported directly to the Compliance Officer.

## Anti-corruption guidelines and insider guidelines

Elo updated its anti-corruption guidelines most recently in 2018. The anti-corruption guidelines and insider guidelines are published on Elo's website. Elo prepared an online course on the principles. It is mandatory for all employees and will be deployed in early 2020. **(GRI 205-2)** In accordance with the principle, Elo uses a gift register in which all gifts given and received are recorded. No cases of bribery were identified at Elo during 2019. **(GRI 205-3)**

The anti-corruption guidelines include separate guidelines on sponsorship and joint projects. Elo's partnerships and donations to charity in 2019 are published on Elo's website.

Elo follows an insider guideline pursuant to the Act on Employment Pension Insurance Companies. 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.

## Elo's Code of Conduct

Elo's Code of Conduct specifies how Elo acts in different situations. It is based on the cornerstones, or values, and operating models of Elo's corporate culture. The Code of Conduct addresses, among other things, good corporate governance, data protection, corruption, working life and human rights. Elo has a Code of Conduct online course that all Elo employees need to take. **(GRI 412-2)** Each Elo employee has an obligation to comply with the Code of Conduct and report any suspected breaches of the operating procedures. Elo's principles of responsible investing also include monitoring the implementation of human rights.

Elo assessed human rights risks as part of the risk surveys across all functions, and a company-level summary of the risks was prepared. Elo's own business operations and supply chains are mainly in Finland, and Elo has not reported risks related to violations of human rights.

# Importance of data protection is increasing

**At Elo, we are responsible for the pension security of hundreds of thousands of insured people. 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 and data protection legislation. The secure management of personal data is particularly important to Elo, as our key tasks as an employment pension insurer require extensive processing of personal data.

## **The European Union's General Data Protection Regulation harmonised the requirements for data protection**

The EU's General Data Protection Regulation entered into force in May 2018. The General Data Protection Regulation is about an overall reform of data protection regulations throughout Europe, and one of its key objectives 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 went well at Elo. We made a thorough 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. We developed our operations to comply with the requirements of the amended data protection legislation.

We have invested in our processes in order to estimate and avoid data protection risks. Elo's entire personnel is trained in data protection, and we have appointed a Data Protection Officer. We continuously develop our operations with regard to data protection. We also require our service providers to maintain a high level of data protection, and this is part of our standard contractual requirements.

## **Data security is an integral part of operations**

Acting responsibly is the most important principle of Elo's data security. The objective of data security is to safeguard the reliability, usability 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, preparation for diverse threats, compliance with the agreed procedures, guidelines, training and communication. Data security is an integral part of the quality of Elo's operations and services, overall security and every Elo employee's daily processing of data.

Elo's Board of Directors approved a new data security policy in 2019. With it, we updated our data security principles and guidelines derived from them to comply with the revised policy. We also revised the data security management model and how data security is visible in the different functions of the company. The data security policy comprehensively specifies the roles and responsibilities of each Elo employee with regard to the implementation of data security.

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 2019, we invested particularly in revising our data traffic solutions and enhancing the data security management model.



# Elo's responsibility indicators 2019

The Global Reporting Initiative's reporting framework have been applied to Elo's Annual and Responsibility Report, were applicable. The responsibility indicators used consists mainly of indicators in accordance with GRI Standards as well as Elo's own indicators. GRI G4 Financial Services Sector Disclosures indicators have in part be used in responsible investing. The GRI code is reported for the monitored aspect if one exists.

Monitored aspect/indicator		Page number in the Annual and Responsibility report	GRI code
<b>Elo's own operations</b>			
Economic Performance	Solvency	6	
	Tax footprint	14	201-1, partly
	Overall return/year	6	
	Development of investment assets: average real return over 10 years	17	
	Expense loading ratio	6	
	Customer bonuses	6	
<b>Essential subjects and management method</b>			
	Essential subjects and their calculation limits	8, 9, 10, 18, 21, 25	103-1
	Description of the management method and its areas	18, 19, 31, 44, 50	103-2
	Assessment of the management method and its efficiency	22, 27, 34, 44, 45, 50	103-3
<b>Corporate governance and responsible operating principles</b>			
	The role of the Board of Directors in sustainability reporting	10	102-32
Compliance	Process of reviewing critical compliance risks (process for managing critical concerns)	56	102-33
	Total number of critical realised compliance risks and their management	56	102-34
Anti-corruption	Businesses whose corruption-related risks have been assessed	56	205-1, partly
	Trainings relating to anti-corruption and anti-bribery procedures, total number and share of employees who have received anti-corruption training	56	205-2, partly
	Confirmed incidents of bribery and related measures	56	205-3
Human rights			
	Human rights-related training	56	412-2, partly
Data protection	Training on data protection and privacy	57	

Monitored aspect/indicator		Page number in the Annual and Responsibility report	GRI code
<b>Responsibility for personnel</b>			
Personnel	Information about personnel and employees	55	102-8, 405-1 b)
	Number of new recruited employees, average duration of employment and average age of employees	52, 55	401-1
Diversity	Diversity of governance bodies	55	405-1 a)
	Ratio of the basic salary and remuneration of women to men	54	405-2
	Incidents of discrimination and corrective measures	53	406-1
Competence development	Average hours of training per year per employee	54	404-1
	Programmes relating to competence development and change support	54	404-2
	Share of employees covered by regular performance assessments and development discussions	54	404-3
Occupational health and safety	Presentation of employees in formal joint management-worker health and safety committees.	51	403-1
	Sickness absences	55	403-2
Personnel survey	PeoplePower index	50	
<b>Responsible investment</b>			
Own operations	Taxation of investments	14	
Follow-up of standards	Screening of non-compliance with standards, % of investments	21	FS11
Responsibility of investments	Fund managers' climate strategies – external fund managers who take climate change into consideration in their investments	35	
	Share of investments with positive impact on environment and society	35	FS7, FS8, partly
	Scope of ESG assessments	21	FS11
	Carbon footprint of investments (Scope 1 & 2)	35	305-1, 305-2, partly
	Carbon intensity (CO <sub>2</sub> e/USD/EUR million)	35	305-4, partly
	Energy and water consumption and CO <sub>2</sub> emissions of real estate investments	27	302-2, partly
Active ownership	Attendance at general meetings (%)	23	FS10
	ESG influence on companies	21	FS11
	Voting at the general meetings of investments	24	



Monitored aspect/indicator		Page number in the Annual and Responsibility report	GRI code
<b>Responsibility for customers</b>			
Responsible products and services	Timeliness of pension decisions, pension processing times	44	
	Processing time in preliminary decisions on vocational rehabilitation	46	
	Effectiveness of rehabilitation, % of people available to the labour market at the end of rehabilitation	46	
	Telephone service waiting time	37	
	Share of online services	37	
	Applications processed by the Pension Appeal Board which remained unchanged, i.e. pursuant to Elo's decision	46	
Customer satisfaction	Customer satisfaction surveys CSI and NPS	37, 43, 45	102-44, partly



**Elo Mutual Pension Insurance Company**

Visiting address: Revontulentie 7, 02100 Espoo / Postal address: Elo Mutual Pension Insurance Company, 00041 ELO

Telephone: +358 20 703 50 / Fax: +358 20 703 5100/ [www.elo.fi](http://www.elo.fi)