



ELO PENSION COMPANY

# Annual and responsibility report 2020



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**CEO'S REVIEW**

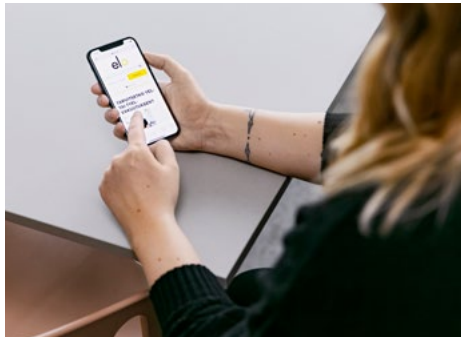
As a pension company, Elo plays a central and important role in Finnish society.



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**RESPONSIBLE INVESTMENTS**

Responsibility underpins Elo's investment operations.



**IN THIS REPORT**

In this report, we discuss Elo's operations and responsibility in 2020. We will issue the Board of Directors' Report, Financial Statements and Corporate Governance Statement as separate reports.

# We work together to build a sustainable society, working life and environment for future generations.

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## CEO's review 2020

**As a pension company, Elo plays a central and important role in society. We bear significant responsibility in Finnish society by managing pension assets, insuring employees and self-employed persons and taking care of pensions.**

While 2020 will be remembered as the year of the COVID-19 pandemic, which caused enormous human and financial losses, it will also be remembered as a period when working life changed at unprecedented speed and a period of adaptation and new learning. Most of the year was spent in completely exceptional circumstances, which we at Elo and people around the world adapted to surprisingly well.

The losses caused by the pandemic to the Finnish economy and the global economy in 2020 were less severe than many feared in the spring. Different sectors and countries have been affected by the pandemic in very different ways. Compared to many other economies, the Finnish economy has recovered from the COVID-19 slump relatively well. The GDP is estimated to have decreased by 3–4 per cent, which is a substantially better outcome than in the euro zone on average.

In the investment markets, the pandemic caused one of the fastest declines on record in the equity markets in the spring. In March, the Finnish Government declared a state of emergency in Finland and decided on the use of powers pursuant to the Emergency Powers Act. The Financial Supervisory Authority notified the Ministry of Social Affairs and Health about exceptional conditions in the financial market. Based on the notification, the Ministry considered legislative measures as the solvency of employment pension companies declined quickly as equity prices fell.

When equity prices were at their lowest, Elo's solvency capital fell for one day below the statutory solvency limit, an indicator measuring the risk level of investments. However, Elo's assets continuously clearly exceeded the pension liabilities of the company. Elo submitted a recovery plan to the supervisory authority and the plan was approved in June. Market operations returned to normal in a matter of weeks after the deepest plunge in equity prices and, by the end of the year, the markets had even recovered above the pre-crisis levels. Elo's solvency has improved significantly since the spring and Elo meets the solvency requirements applicable to insurance companies with a clear margin. Nevertheless, in December, the Financial Supervisory Authority decided to appoint an authorised representative for Elo to identify problems that hinder the effectiveness of Elo's internal corporate governance and ensure that the problems are resolved.

Elo's individual investment strategies proved their effectiveness in the market despite the unexpected and unpredictable COVID-19 crisis. The return for the asset classes was positive and mainly in line with market trends. The return on Elo's investments was 3.6 per cent in 2020.

The Government of Finland has supported businesses with extensive stimulus measures during the COVID-19 crisis and mass unemployment has been avoided thanks to the system of temporary lay-offs and various forms of public aid. The number

of bankruptcies in 2020 was lower than initially feared. The employment pension sector quickly prepared and implemented measures that improved corporate customers' ability to overcome the crisis. Pension contributions were temporarily decreased pursuant to an agreement between the central labour market organisations

## **We make sure that our customers receive the pensions they have earned – today and in the future.**

and customers were offered the opportunity to apply for extensions to the payment deadlines of pension insurance contributions.

Elo's insurance services, corporate financing and real estate investment functions received significantly more enquiries in the spring, with customers requiring funding, rent reductions or additional time to pay their insurance contributions, for example.

The service level of Elo's insurance services remained excellent throughout the year, and there was no congestion at any stage. We achieved a new record in our customer experience indicator with a net promoter score (NPS) of 90.7. Furthermore, more than 94 per cent of our customers managed to have their case resolved in a single call. The average processing times of our pension services were once again excellent. For example, the average time to receive an old-age pension decision from Elo was three days, when the industry average was 11 days.

Elo continued the strong development of its electronic services. Changes were made to the online services due to the crisis and new functionalities were added to make daily life easier for our customers.

Elo's confirmed strategy for 2020–2022 is based on our mission statement of taking care of our custo-

mers' pension interests responsibly. The mission is made possible by Elo employees' strong expertise, the company's solvency and operational efficiency, which we continuously develop. We make sure that our customers receive the pensions they have earned – today and in the future. Safeguarding current and future pensions is an issue of major social responsibility.

In 2020, we updated our responsibility programme, which is built around Elo's basic mission of enforcing statutory employment pension security. The three main themes of Elo's responsibility programme are sustainable society, sustainable working life and sustainable environment. We also updated our climate strategy, which includes a commitment to an investment portfolio that is in line with the objectives of the Paris Agreement. We are committed to measures required to reduce climate risks and to climate change mitigation and adaptation measures.

Elo's personnel work is guided by the company's personnel strategy and personnel vision: "We want to be an appreciated and developing work community where everyone can learn and experience success." We develop Elo with a 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. We aim to look after our employees' well-being at work and work ability so that employees of different ages perceive their work as meaningful and maintain a high level of motivation and work ability throughout their careers.

Elo's transition to remote work went very smoothly both technically and operationally. The results of our personnel survey improved for the seventh consecutive year in spite of the challenges posed by the COVID-19 pandemic. Our scores in the survey saw us receive the Most Inspiring Workplaces in Finland award for the second time.

I want to take this opportunity to thank our customers, partners and employees for their flexibility and excellent cooperation during the year.

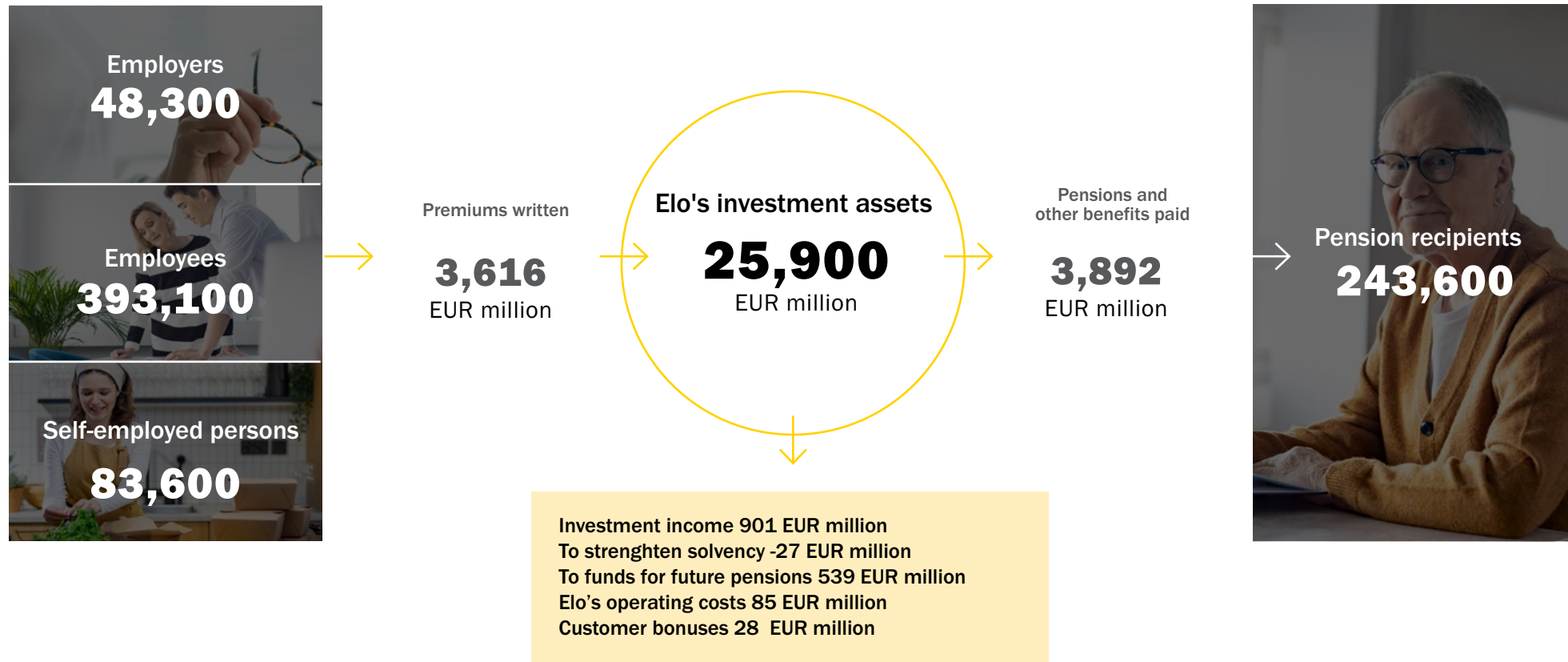
Satu Huber  
CEO

# Elo's cash flows

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 2020

## Summary of key figures

	31.12.2020	31.12.2019
<b>Company size</b>		
Premiums written, EUR million	3,615.6	3,968.5
Pensions and other benefits paid, EUR million <sup>1)</sup>	3,891.9	3,915.3
Technical provisions, EUR million	22,381.4	21,876.6
Pension assets, EUR million <sup>2)</sup>	26,419.6	25,886.0
TyEL payroll, EUR million	14,106.8	14,326.7
YEL earned income sum, EUR million	1,757.7	1,767.0
Number of TyEL policyholders	48,300	46,300
Number of TyEL insured	393,100	410,200
Number of YEL policyholders	83,600	83,300
Number of pensioners	243,600	240,900
Number of personnel (average work contribution)	490	487
<b>Result</b>		
Loading profit, EUR million	33.2	35.2
Operating expenses as % of loading component	72.0%	73.4%
Transfer to client bonuses, EUR million	27.7	86.9
Transfer to client bonuses (%) of TyEL payroll	0.20%	0.61 %
Solvency capital, EUR million	5,055.4	5,081.8
ratio to solvency limit	1.6	1.6
Pension assets, % of technical provisions	123.7%	124.4%
Net investment income at fair values, EUR million	900.9	2,915.7
Net return from investment on capital employed, %	3.6%	13.0%

<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

# 3.6%

overall return on investments

# 25.9

investment assets, EUR billion

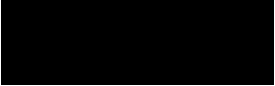
# 3,892

pensions and other benefits paid, EUR million



RESPONSIBILITY AT ELO 2020

# We build a sustainable society, working life and environment



# Responsibility at Elo

**Responsibility is included in Elo’s basic task. We make sure that our customers receive the pensions they have earned – today and in the future. This annual and responsibility report provides information about Elo’s operations and the development of responsibility in 2020.**

### Responsibility as part of 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 “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.



### Change of operating environment

- Transformation of work
- Digitalisation of society
- Challenging economic environment
- Customer needs
- Climate change
- Competitive factors

### Strategic themes

- Responsibly competitive
- Customer experience as a competitive edge
- Reforming competence

**ELO’S VISION**  
The most convenient and convincing — passionately in your everyday life

<b>MISSION STATEMENT</b>	<b>Taking care of customers' pension interests responsibly</b>		
	<b>Competent</b>	<b>Solvent</b>	<b>Efficient</b>
<b>VALUES</b> i.e. the cornerstones of corporate culture	<b>Elo’s interest is my interest</b>	<b>Trust and transparency</b>	<b>Customers and partners are in focus</b>



### Elo's responsibility programme was updated

We updated Elo's responsibility programme in 2020. The aim of the responsibility programme is to make Elo's existing responsibility visible and provide a framework for Elo's organisation-wide responsibility themes, which we are committed to observing and developing in our operations.

We used a survey and interviews to engage Elo's stakeholders – including the personnel – in drafting the responsibility programme. The programme and

issues of materiality were discussed in workshops and specialist discussions in cooperation with the experts in Elo's responsibility network. The assessment of materiality focused on the significance of Elo's economic, social and environmental impacts as well as our stakeholder expectations. Elo's Board of Directors approved the overall policies of the responsibility programme in December.

The responsibility programme is closely linked to Elo's basic task and regulation as well as the aspects of responsibility that are closely related to them.

Elo's corporate responsibility programme consists of three parts:

1. Sustainable society – this includes financial responsibility and the careful execution of our core task.
2. Sustainable working life – this includes social responsibility in our customer operations, investments and own operations.
3. Sustainable environment – this includes the mitigation of the impacts of climate change as well as approaches related to the environment and efficient use of resources. (GRI 103-1)

### We work together to build a sustainable society, working life and environment for future generations.

#### 1. Sustainable society

- Careful execution of an employment pension company's basic task
- Seamless enforcement of pension security in all circumstances
- Safeguarding solvency
- Sustainable return on investment
- Transparent governance, compliance with Elo's Code of Conduct
- Development of operations and efficiency

#### 2. Sustainable working life

- Taking care of employees, realising the personnel vision
- Promoting diversity and equality in Elo's own operations, the supply chain and customer service
- Rehabilitation and disability risk management with a long-term impact
- Active communication and influence on self-employed persons' pension security in a changing world

#### 3. Sustainable environment

- Moving forward in accordance with the climate strategy concerning investments
- Resource efficiency in Elo's own operations through the Green Office environmental programme, for example
- Instructions and principles concerning supply chains
- Environmental efficiency in the customer business

***We work to promote social and environmental sustainability together with Elo's employees, customers and the global investor community.***

***In sustainable working life, people with reduced working capacity, young people, the elderly and minorities are provided with opportunities to participate in working life. Equality and diversity are taken into consideration in decision-making and supply chains.***

***In a sustainable society, pension security and our services respond to changing customer needs. The basic task of an employment pension company is at the core of our responsibility.***

***We create environmental sustainability by taking climate and environmental perspectives into consideration in our decision-making and operations.***

### Stakeholders engaged in the assessment of materiality

As part of the process of updating our responsibility programme, we conducted a stakeholder survey in autumn 2020. The stakeholder survey was carried out in August–September 2020 by means of an electronic questionnaire and phone interviews. A total of 662 people completed the survey. Of these, 192 were Elo employees. Corporate decision-makers accounted for 363 of the respondents, with 53 per cent of these representing Elo’s customers. A total of 107 people representing other stakeholders completed the survey. This group included policy-makers, journalists, public officials

as well as representatives of various non-governmental organisations.

The respondents rated Elo’s basic task – i.e. enforcing pension security, such as efficient pension decision processes, ensuring solvency and taking customer needs into consideration – as the most important aspect of Elo’s responsibility. The respondents also rated carrying out the basic task openly, transparently and with good corporate governance as important. The next-most important aspects according to the respondents were social responsibility – including sustainable working life

themes and equality – as well as climate change and environmental issues. (GRI 103-1)

The survey also invited stakeholders to evaluate Elo’s performance in various areas of responsibility. According to the results, Elo has performed the best in making efficient pension decisions. The area in which the respondents saw the most room for improvement in the exceptional economic environment of 2020 was solvency. Open interaction and active communication were also highlighted as areas requiring further development.

### Significance of responsibility aspects based on stakeholder feedback

How important do you find the following aspects of Elo’s operations as an employment pension company?		Business decision-makers (n=363)	Stakeholders (n=107)	Employees (n=192)
<b>Elo’s mission aspects</b>	Safeguarding solvency	4.5	4.8	4.9
	Efficient pension decision processes	4.4	4.7	4.7
	Taking customer needs into consideration in different stages of the customer relationship	4.6	4.4	4.7
	Profitable investment operations	4.2	4.5	4.8
	A good customer experience and service accessibility through various channels	4.4	4.4	4.7
	Corporate governance	4.3	4.6	4.5
<b>Sustainable working life and social responsibility aspects</b>	Employee well-being and competence	4.2	4.4	4.7
	Creating the conditions for sustainable working life	4.2	4.1	4.6
	Social responsibility in investment operations	4.1	4.4	4.5
	Elo’s open interaction and active communication	4.0	4.1	4.6
<b>Climate and environmental aspects</b>	Promoting equality and diversity in working life	3.9	4.1	4.3
	Taking climate and environmental impacts into consideration in investments	3.7	4.0	4.3
	Taking environmental and climate impacts into consideration in Elo’s own operations	3.7	4.0	4.2
<b>Average:</b>		<b>4.2</b>	<b>4.3</b>	<b>4.6</b>

The respondents answered statements on scale of 1 (not important at all) to 5 (very important)

In the materiality assessment of Elo's responsibility, in addition to stakeholder feedback, we took into account the operating environment analysis we conducted in connection with the development of Elo's strategy. The key change factors from the perspective of responsibility included climate change, the transformation of work, changes in customer needs and the digital transformation of society. A third key issue highlighted in the materiality assessment was current and future regulation, which will highlight questions pertaining to climate change and human rights, for example.

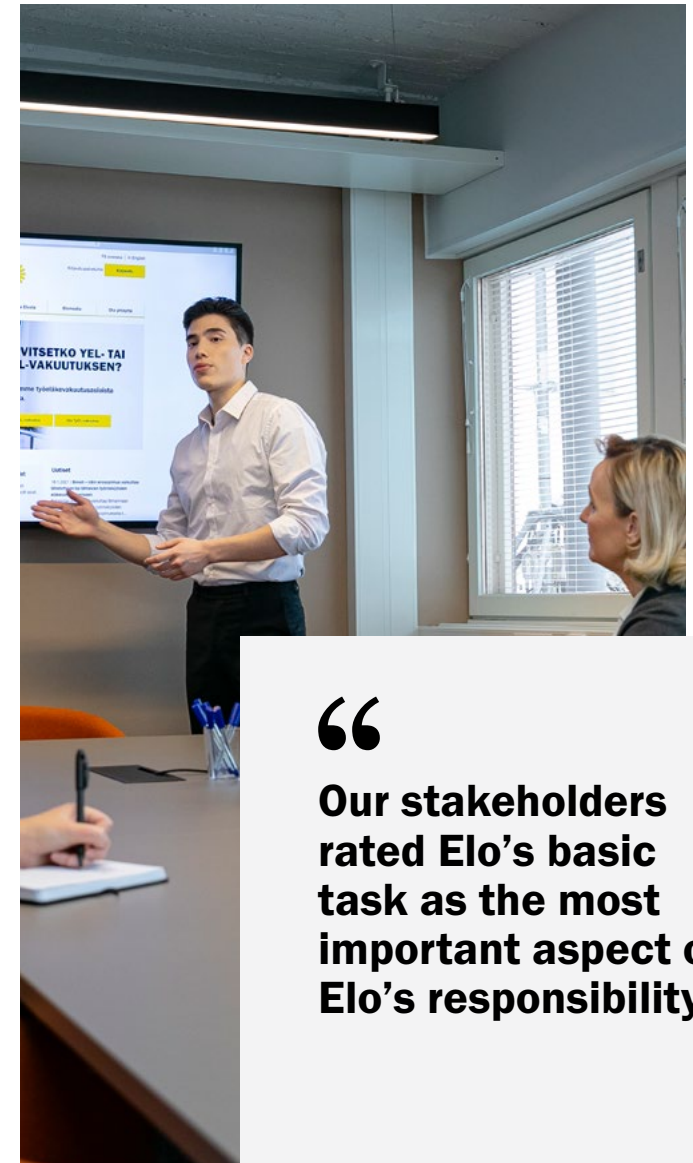
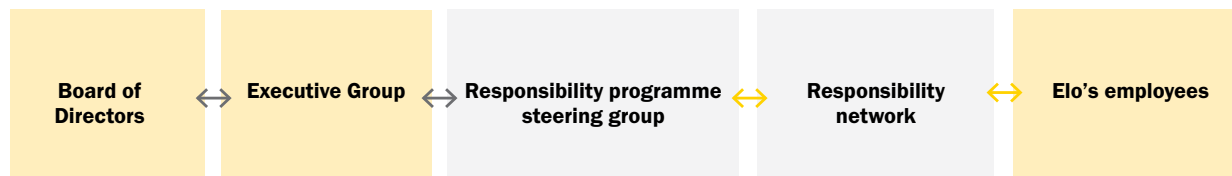
### The organisation of responsibility at Elo

At Elo, corporate responsibility is included in our day-to-day business. In 2020, we established a responsibility programme steering group to support our efforts in the area of responsibility. The group includes representatives from Elo's key business functions. Elo also has a responsibility network comprised of experts in various business areas. The members contribute to the development of responsible business and a sustain-

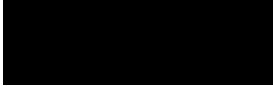
able company culture and they also participate in Elo's responsibility reporting. The financial and communications units coordinate Elo's reporting on corporate responsibility. Elo's Board of Directors approves key policies pertaining to responsibility.

Elo strengthened its responsible investment resources in 2020 to further develop responsible investment. The responsible investment steering group steers responsible investment 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 investment principles and practices in their day-to-day work. More information on the management of responsible investment is provided on page 63 of this report.

### Managing responsibility



“  
**Our stakeholders rated Elo's basic task as the most important aspect of Elo's responsibility.**



“

**The report includes an estimate of how climate is taken into consideration in Elo in accordance with the TCFD.**

### **Reporting principles**

Elo's financial annual reporting is comprised of the annual and responsibility report, the Board of Directors' report and financial statements, the statement of 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)

This is the fourth time that the Global Reporting Initiative (GRI) framework is used as a reference in responsibility reporting. Elo publicly supports the TCFD's (Task Force on Climate related Financial Disclosures) climate reporting recommendations. Elo's responsibility report for 2020 includes a report on the risks and opportunities relating to climate change in accordance with the TCFD. The report includes an estimate of how

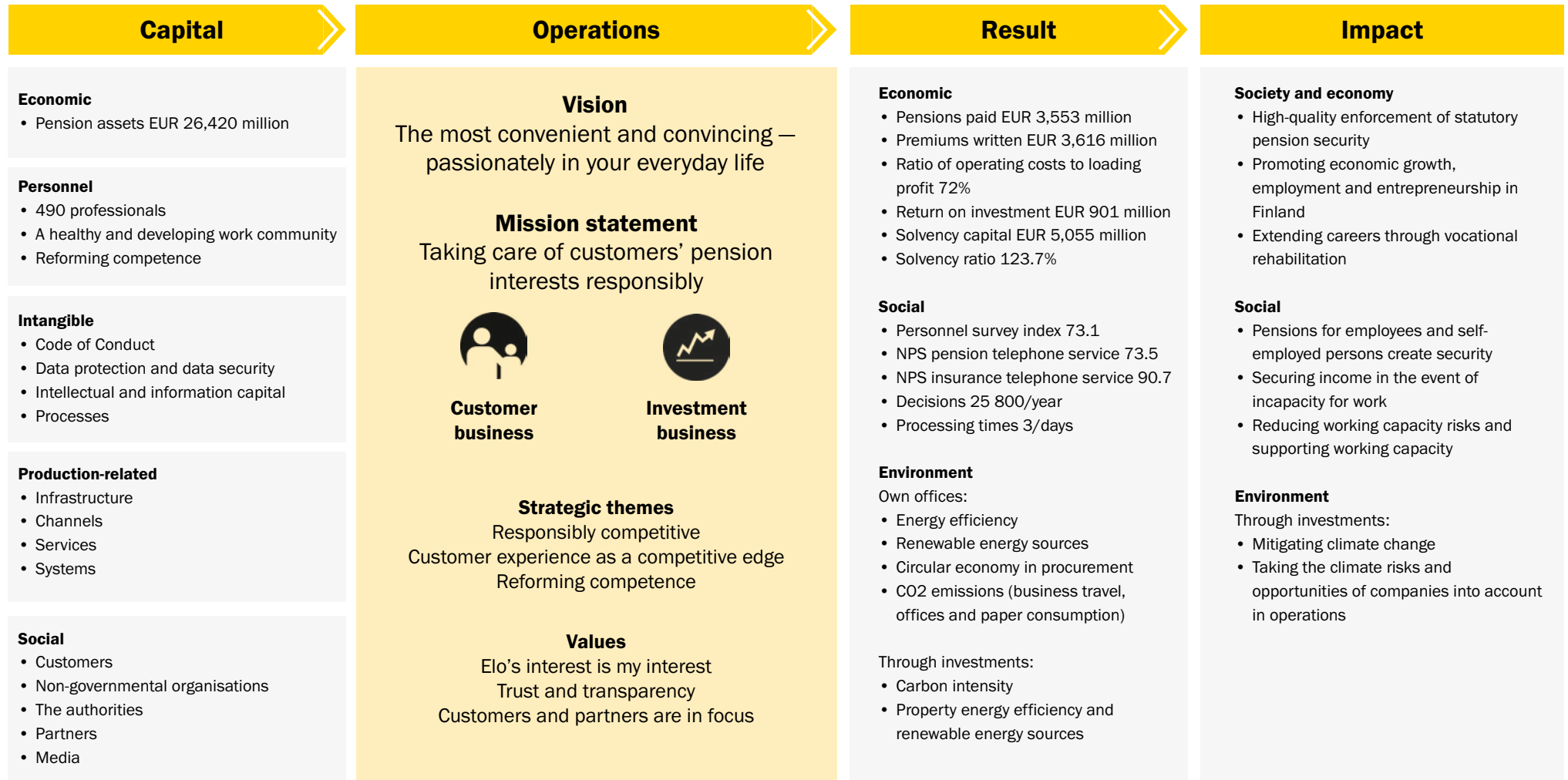
climate is taken into consideration in Elo's governance, strategy and risk management as well as climate-related objectives and indicators. The reporting also takes into account the climate indicators of the Finnish financial sector for investment operations.

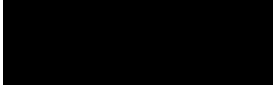
In reporting on the development of the areas of corporate responsibility, we use Elo's own and GRI framework-compliant indicators regarding the areas considered the most material. Elo's corporate responsibility indicators are presented at the end of this report on page 64.

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.

# Elo's value creation model

Elo is a Finnish pension insurance company. We make sure that our customers receive the pensions they have earned. We help our customer companies succeed and respond to the challenges presented by changes in working life. We manage our customers' pension assets in a profitable, secure and responsible manner.





# Elo and society

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



We bear significant responsibility in 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.

The themes highlighted in our stakeholder engagement in 2020 included the impacts of the COVID-19 pandemic on the employment pension system and customers. We engaged in active communication regarding the flexibility we offered, such as opportunities to postpone pension contributions and making the situation easier for customers through a temporary reduction in pension contributions. Themes related to the pension insurance of self-employed persons were also of central importance in 2020.

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), which are important players in the employment pension sector. 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.

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 2020, Elo's media visibility included Elo's experts providing clear and easily understandable communications on employment pension benefits, for example.

**Working together to benefit society**

We cooperate with non-profit organisations, amongst other parties, as part of our social role. We promote, for example, Finnish entrepreneurship and employment as well as diversity and we work to prevent marginalisation.

In 2020, we took part in the Entrepreneur of the Year competition and the Junior Achievement Finland programme. In the Entrepreneur of the Year competition, we gave out a special award for Responsibility Achievement of the Year.

In the Junior Achievement Finland programme, we recognised students from Turku University of Applied Sciences and the University of Turku with a “Dreams Alive” special award for their A.I.M Tracking NY project. We also participated in Junior Achievement Finland’s Shadow day, which paired executives in various fields with young future talents for one workday. The participants represent various regions of Finland and they have all participated in JA Finland’s entrepreneurial education programme at school. In 2020, the event was organised remotely.

We were also involved in the Migrant Entrepreneur of the Year competition, which highlights entrepreneurs with migrant backgrounds and their significance in the Finnish business sector. The winner was announced at the Business Unplugged event organised by the Federation of Finnish Enterprises in December.

Elo participated in the Diversity in Entrepreneurship campaign for the first time. The aims of the “I Started This” campaign include breaking stereotypes related to entrepreneurship and encourage everyone to pursue self-employment regardless of their situation or background.

We donated a total of EUR 15,000 of funds reserved for non-profit purposes to SOS Children’s Villages, Save the Children, Helsinki Deaconess Institute and Vamlas Foundation. Elo employees also had the option of donating funds reserved for the personnel’s Christmas greetings to the non-profit Hope.

# The employment pension system adapts to changes in the operating environment

**The COVID-19 pandemic made 2020 an exceptional year throughout the world. It was also an exceptional time for the pension insurance sector, and various measures were introduced to make the situation easier for customers.**

The central labour market organisations agreed on a temporary reduction of employers’ pension contributions from May until the end of the year. Employment pension companies could extend the terms of payment of pension insurance contributions and various flexible arrangements were offered to people who are in vocational rehabilitation.

In spite of the exceptional circumstances, progress was made on the major projects that have been under way for several years now. The Ministry of Social Affairs and Health has a working group engaged in an effort to

combine the private and public sector pension systems. The Ministry has also continued the development of the pension system for self-employed persons.

Survivors’ pension reform continued in 2020 and moved on to the consultation round. The objective of the reform is to update survivors’ pension to correspond with the changed needs of the society and families. The amendments include, for example, extending the eligibility for orphan’s pension and changing surviving spouse’s pension to have a fixed term, with cohabiting widows/widowers also being eligible subject to certain conditions going forward. These amendments are scheduled to enter into force in 2022.



## Elo's tax footprint

The tax footprint illustrates the financial impact of operations on society. Paying taxes is a central aspect of a company's role in 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. Our 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. We require our 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 2020, we paid a total of EUR 3,543.7 million in taxable pensions and benefits, of which EUR 729.5 million was disbursed to the tax authorities in the form of withholding taxes to cover the pension recipients' taxes.

### Taxation of investment operations

EUR million	Net return before taxes	Taxes paid	Refunds received	Net return after taxes	Taxes, total
Interest income	130.5			130.5	
Dividend income	436.2	-9.5	5.9	432.6	-3.6
Real estate income and expenses	57.4	-1.3		56.1	-1.3
Other investment income and expenses	346.2	-2.5		343.8	-2.5
Value adjustments in bookkeeping	-90.2			-90.2	
Change in valuation differences	28.1			28.1	
<b>Investment income, total</b>	<b>908.2</b>	<b>-13.2</b>	<b>5.9</b>	<b>900.9<sup>1)</sup></b>	<b>-7.3</b>

1) Net investment income at current value



Employment pension 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

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 EU law and the provisions of tax treaties signed by Finland. In addition,

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 2020, the withholding taxes paid on the earnings of Elo's personnel totalled EUR 11.9 million.

## We emphasise transparency and openness in our ownership steering.

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 company can deduct the provision for future pension liabilities in its taxation.

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.

Insurance operations are a service not subject to value added tax and, therefore, employment pension 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 2020, we paid value added tax totalling EUR 4.6 million on our own purchases.

### Taxation of other operations

EUR million	Tax base	Taxes paid
Wages and salaries of personnel	36.5	11.9
Other operating expenses	67.9	4.6
Pensions paid	3 543.7	729.5

(GRI 201-1)



RESPONSIBLE INVESTMENTS

# Responsible investment secures pensions

# Responsibility underpins Elo's investment operations

Our investment operations are guided by the basic task of a pension company, which is to invest employment pension assets in a profitable and secure manner.

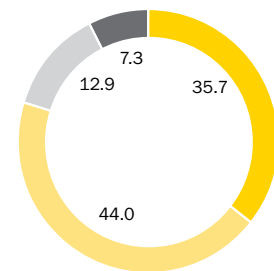


The strategy of Elo's investment operations is to seek to achieve good, sustainable and sufficient returns on investments through the selected strategic allocation and success in the choice within asset classes.

Responsibility in investment operations means that investment decisions take into account not only the expected return on investment but also the ESG perspectives, i.e. environmental responsibility (E), social responsibility (S) and corporate governance (G). (GRI 103-1)

The responsibility for pension assets extends decades into the future. Responsible investment at Elo is based on the view that only by operating sustainably can companies generate sustainable results over the long term and responsible investors generate sustainable returns. As a long-term pension insurance company and investor, we believe that a strong approach to the responsibility for our investments, integrated into our investment process, plays an essential role in managing the risks associated with investments and achieving good and sustainable returns on investments.

Investment distribution 31 December 2020



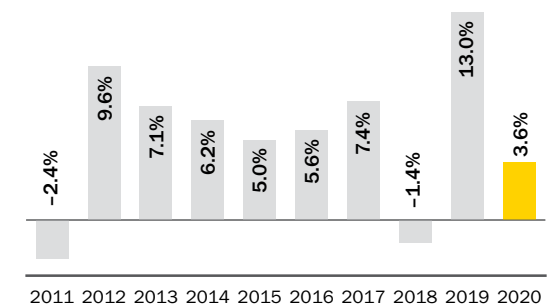
- Fixed-income investments (incl. effect of derivatives)
- Equity investments
- Real estate investments
- Other investments

We particularly aim to improve the long-term risk-return ratio by identifying the ESG aspects that characterise each investment. We assess the ability of each investment to manage and mitigate their ESG risks and opportunities of utilising the sustainable development themes in their business. (GRI 103-1)

Responsible investment is an integral part of investment activities, and different styles of it are integrated into the investment process, taking the special characteristics of different asset classes into consideration. Responsible investment is implemented in different asset classes using the methods that best facilitate the success of the responsible investment strategy in each asset class.

Our responsible investments are guided by Elo's strategy and investment plan and the principles of responsible investing and ownership policy, approved by the Board of Directors. Elo's climate strategy complements the principles of responsible investing. The climate strategy was updated in 2020. The principles of responsible investing, the ownership policy and the climate strategy are available on Elo's website.

Development of return on investment 2011–2020



Pro forma figures from 2011–2013 are the combined figures of Pension Fennia and LocalTapiola Pension Company.

# Over a decade of responsible investing



### **The responsibility of our own operating methods**

The responsibility of our own operating methods is related to a transparent and cost-effective investment process. One key aspect of the responsibility of Elo's own operating methods is a clear governance model that ensures a clear division of responsibilities and communication between different levels of the organisation. This is particularly important to an investor such as Elo that makes most of its investments directly.

Most investments across different asset classes are made directly in-house, and the proportion of direct investments in Elo's equity portfolio was further

increased in 2020. By increasing its direct equity investments, Elo improves its opportunities to engage in active ownership.

Elo has increased the proportion of systematic investment strategies in its equity investments during the past few years. ESG perspectives have been integrated into investments by means of exclusion lists and the carbon intensity reduction target included in Elo's climate strategy for 2020–2025. In 2021, we will focus on developing the way ESG perspectives are taken into account in systematic strategies.

Elo established its own trading function in 2019

and increased the resources allocated to it in 2020. The trading function enables Elo to increase its direct investments and reduce trading costs through centralised trading.

The significance of responsibility has increased in the past few years and investors are subject to increasing regulation. Elo strengthened its resources allocated to the development and coordination of responsible investment in 2020. This work is being done in close cooperation between different asset classes. The investment organisation also conducted a comprehensive assessment of internal operating procedures, which will support development efforts in the coming years.

## **Cooperation and clear communication play a key role in our own operating methods.**

### **ELO'S PRINCIPLES OF RESPONSIBLE INVESTING**



### ***The Board of Directors steers responsible investing***

The Board of Directors receives regular reports on responsible investing. Active dialogue on the development of responsible investment takes place with the Board of Directors.

The Executive Group of Investments, chaired by Elo's CEO, is responsible for drafting and updating Elo's principles of responsible investing. The Executive Group of Investments regularly discusses matters relating to responsible investing in its meetings. (GRI 103-2) The Executive Group of Investments is supported by the steering groups on responsible investing and ownership policy.

The task of the Responsible Investment Steering Group is to develop responsible investments, share information and best practices between asset classes and ensure uniform operating methods. The steering group also monitors the achievement of the objectives set in the principles of responsible investment and climate strategy. The Responsible Investment Steering Group includes a representative from each asset class. The Responsible Investment Steering Group met seven times in 2020.

The steering group for ownership policy provides guidelines on matters pertaining to ownership steering based on Elo's ownership policy. The members of the Ownership Policy Steering Group include Elo's executives and executives from the Executive Group of investments and investment operations. The Ownership Steering Group met four times in 2020.

Each employee of the investment organisation is responsible for the implementation of the principles of responsible investment and ownership policy and climate strategy in their day-to-day work. (GRI-103-2) There are clear procedures for asset classes that are transparent to the entire organisation.

**Compliance with international standards and agreements is the foundation for responsible investing**

In defining the responsibility of investments, the starting point is in the international standards, such as the UN's Global Compact corporate responsibility standard. The Global Compact includes 10 principles concerning the environment, corruption, human rights and labour. Elo has a monitoring process for norm violations with regard to its equity and corporate bond investments. A database maintained by an external service provider is used to monitor potential Global Compact violations among equity and corporate bond investments. Global Compact violations may constitute an obstacle to investment and they can also lead to Elo choosing to disinvest.

If a company does not meet Elo's responsibility principles, Elo aims to make the company rectify the shortcomings in its operations. The engagement process can be initiated when it is deemed reasonable considering the actual possibilities of making a difference. Elo may disinvest due to shortcomings observed in responsibility if the company in question fails to propose and take credible action to rectify the shortcomings.

During the year under review, 98 per cent of listed equity investments and 90 per cent of listed corporate bond investments had an ESG rating (FS 11).

**Exclusions based on ethical and climate-related grounds**

In our principles of responsible investing, we have defined our exclusions based on ethical grounds and other reasons. From our direct investments, we exclude

**THE RESPONSIBLE INVESTING STRATEGY IS IMPLEMENTED THROUGH FIVE AREAS AT ELO**

✓ **Integrating responsible investing into the investment process**

- Return and risk
- Opportunities and impact

✓ **Exclusion**

- Coal
- Tobacco
- Controversial weapons

✓ **Engagement and cooperation**

- IIGCC
- Climate Action 100+
- CLC

✓ **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

the following on ethical grounds: companies in the tobacco industry and companies that manufacture controversial weapons, such as cluster munitions, anti-personnel mines, biological and chemical weapons, nuclear weapons and depleted uranium.

To mitigate climate change, we have excluded companies that derive more than 25 per cent of their turnover 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.

In 2020, there were a total of 179 companies excluded from investments based on our exclusion criteria.

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

### Responsibility is an integral part of ownership steering

Elo's ownership policy guides Elo's operations as a significant and active shareholder. The ownership policy communicates matters that Elo considers important in the companies in which it is a shareholder and in the selection of new investments. As a long-term shareholder, Elo aims to promote the responsibility of its investments and supervise compliance with good corporate governance. (GRI 103-3)

Elo also emphasises the importance of incorporating the perspective of responsibility not only to a company's economic impacts but also the remuneration of management. 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 boards and engaging in regular dialogue with the management and, if necessary, Boards of Directors of the companies.

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. In other geographic regions, the choice of which companies' general meetings to attend is based on Global Compact violations, the implementation of a climate strategy or the assessment of corporate governance. 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.

The general meeting season in 2020 was unusual due to COVID-19. General meetings were held remotely due to the pandemic and voting was conducted electronically in advance. Following a change in the Shareholder Rights Directive, voting on an advisory resolution on the remuneration policy for governing bodies was added to the agendas of general meetings for the first time. The remuneration policies of Finnish companies were mostly in line with the structure of the Corporate Governance Code in

Attendance at general meetings	2020	2019	2018
<b>Direct equity investments</b>			
Attendance at general meetings in and outside of Finland (number)	230	151	111
Attendance at general meetings in Finland (%)	97	95	95
Attendance at general meetings outside Finland (number)	153	88	50
<b>Unlisted investments</b>			
Attendance at general meetings (%)	57	63	56
Coverage of investment assets (%)	98	98	98
<b>Associated companies related to real estate investments</b>			
Attendance at general meetings (%)	73	97	96
Attendance at general meetings (number)	38	35	24
<b>Infrastructure investments</b>			
Attendance at general meetings (%)	100	100	100
Coverage of investment assets (%)	100	100	100

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

%	2020	2019	2018
Equity investments	98	95	95
Corporate bond investments	90	87	87
All managed assets	46	45	41

2020. Items pertaining to responsibility were also increasingly seen on the agendas of general meetings.

In 2020, Elo voted against at least one proposal on the agenda of a general meeting in a total of 84 general meetings. The number of agenda items that Elo voted against was 229, including proposals by shareholders. Most of these involved an agenda item pertaining to the Board of Directors, management, capital structure of remuneration.

The growing significance of responsibility is becoming concretely evident on the agendas of general meetings. A responsibility report or report on non-financial information was submitted to the general meeting for approval in nine general meetings. Elo voted for the proposal in each of those cases.

### The significance of engagement is growing

Engagement is becoming an increasingly important tool for a responsible and active shareholder and we are continuously directing more of our efforts into it. We strive to engage with our investments either by ourselves or in

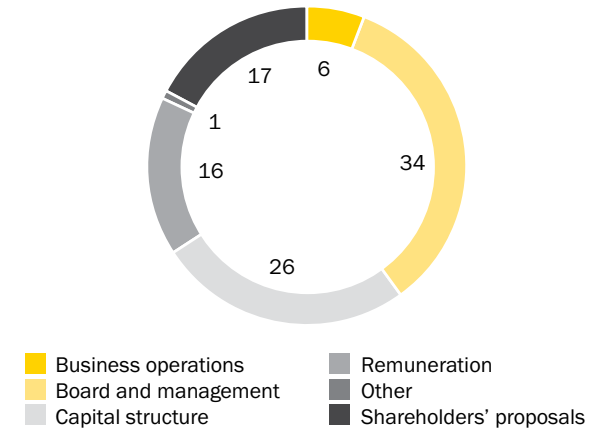
cooperation with other investors and stakeholders. We prefer engagement projects involving a significant number of other investors, as engaging with the investments is commonly more effective this way. Public commitments and declarations are a visible way of attracting attention to important matters. Goal-oriented cooperation can significantly increase the value and possibilities of success of engagement in practice.

Elo has taken active engagement efforts in the past few years particularly with regard to initiatives and projects related to the mitigation of climate change. More information on these efforts is provided in the section "Risks and opportunities relating to climate change in accordance with TCFD".

### 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 responsible investment on Elo's responsible investment

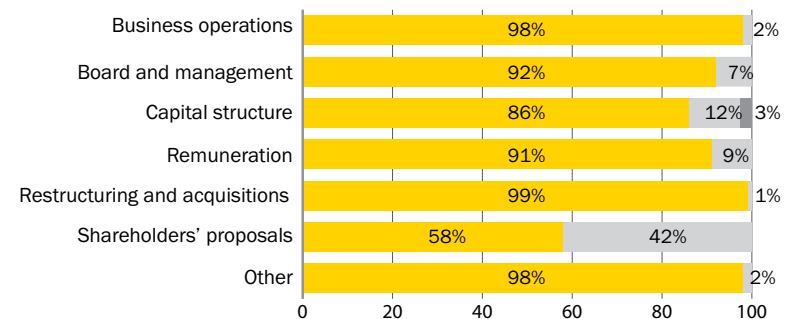
### Voting at general meetings against the Board's proposal



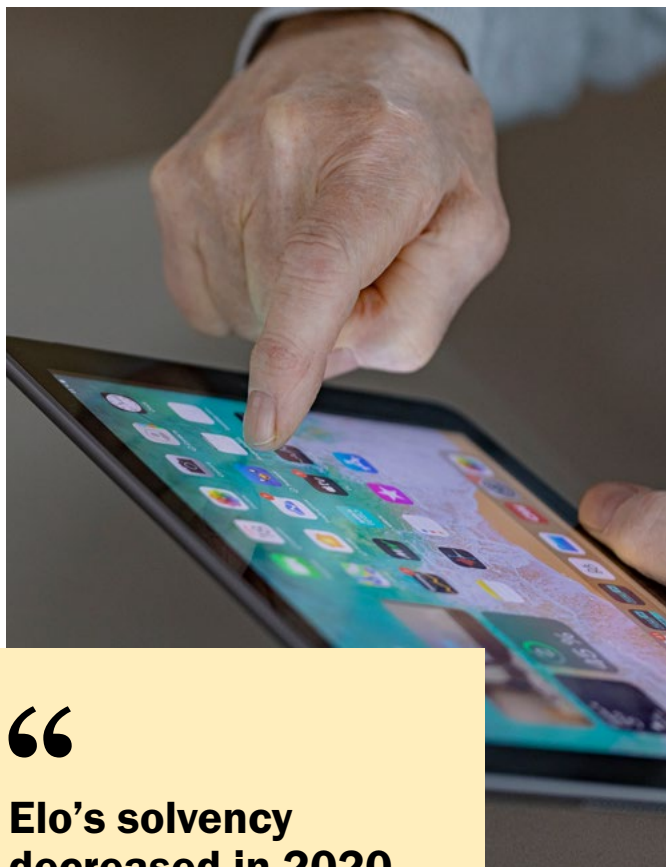
### Engagement initiatives and cooperation projects

		Commitment	Co-operation	Reporting	Engagement
General	PRI	✓	✓	✓	✓
	Finsif	✓	✓		
Environment	CDP		✓		✓
	TCFD	✓		✓	
Climate	IIGCC		✓		✓
	Climate Action 100+	✓	✓		✓
	PRI Montreal Pledge	✓		✓	
	The Investor Agenda	✓	✓	✓	✓
	CLC		✓		✓

### Voting in general meetings of listed companies in 2020







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**Elo's solvency decreased in 2020 but returned to a good level by the end of the year.**

website, Elo's annual and responsibility report and in the non-financial disclosures in the Board of Directors' Report.

The UN-supported Principles for Responsible Investment (PRI) assessment of the responsibility of Elo's investment activities in 2019 was published in August 2020. Elo's strategy and management of responsible investment was rated as excellent with a grade of A+. Elo achieved an A+ rating in 2016 and has maintained that excellent level while the international level of the ratings has improved in general over the past few years. Elo's direct equity investments received an excellent grade of A+ for integrating responsibility into the investment process (median: A) as well as active ownership (median: B). The grade awarded to Elo's credit risk

fund investments improved to the best category of A+ (median: A) compared to the previous PRI assessment. The rating received for the other asset classes was A, except for direct infrastructure investments, which received a rating B.

Elo has signed the PRI Montreal Pledge and supports reporting in accordance with the TCFD (Task Force on Climate-related Financial Disclosures) reporting framework on the economic impacts of climate risks and opportunities. Climate-related information is provided in Elo's TCFD report under "Risks and opportunities relating to climate change in accordance with TCFD".

### **Monitoring solvency as part of risk management**

Elo employs a solvency management model developed by the company, describing how the company will act in different solvency situations. Solvency is analysed using the internal models and scenario and stress tests available to the company. The solvency management model sets a risk exposure level that accounts for the prevailing market conditions, investment views and solvency. Elo's solvency capital fell below the solvency limit on one day in March 2020, but remained at a secure level even then. Elo's solvency decreased in 2020 but returned to a good level by the end of the year. Assessed by the solvency limit, the overall risk level was somewhat lower at the end of 2020 than in the previous financial statements. (GRI 103-1)

**Engagement is becoming an increasingly important tool for a responsible and active shareholder and we are continuously directing more of our efforts into it.**

The solvency ratio decreased exceptionally fast at the beginning of the year due to the COVID-19 crisis and the volatility of the investment market but almost reached the 2019 level towards the end of the year. The solvency capital at the end of the year amounted to EUR 5,055.4 million (EUR 5,081.8 million). The solvency ratio was 123.7 (124.4) per cent. The solvency capital was 1.6 (1.6) times the solvency limit.<sup>1)</sup>

<sup>1)</sup> More information on the result of Elo's investment operations and the development of solvency in 2020 is provided in the Board of Directors' Report and financial statements. [https://www.elo.fi/about-elo/financial-information?sc\\_lang=en](https://www.elo.fi/about-elo/financial-information?sc_lang=en)

# Energy efficiency and cooperation are at the core of real estate investments

Responsible real estate business creates the conditions for success with regard to the returns and competitiveness of real estate investments as well as a high level of customer satisfaction. In addition to environmental responsibility, responsibility covers the elements of economic and social responsibility throughout the supply chain.



The development of the real estate portfolio's structure and properties ensures the portfolio's long-term return potential across market cycles. Ensuring a good customer experience through active dialogue with tenants and regularly measuring customer satisfaction are among the key drivers of responsibility. They are also an important condition for the responsible maintenance and use of properties. Developing systems ensures good conditions for the users and residents of properties.

Real estate investments have a direct impact on the reduction of negative climate impacts. Environmental responsibility includes improving energy efficiency and increasing the use of renewable energy sources as well as recycling of materials and property and urban development that takes environmental impacts into consideration.

In 2020, our real estate investment activities continued to have a focus on renewable energy production. We also developed our energy management system and expanded the use of green property electricity. We also continued to carry out new energy efficiency improvement measures with regard to our directly owned real estate, developed the measurement of the customer experience and focused on providing guidance on responsible operation for our partners at our properties.

The exceptional circumstances created by the COVID-19 pandemic underscored the significance of responsibility. In line with its long-term strategy, Elo's real estate investments have been widely diversified among different types of premises. Ownership concentrates on areas and properties that are estimated to have stable demand over a long term both in Finland and abroad. In 2020, the COVID-19 pandemic and

the recommendations and restrictions introduced to curb it particularly affected the business operations of restaurants and cafés, shopping centre tenants and hotels. The occupancy rate of the real estate portfolio remained at a good level.

We processed hundreds of rent payment arrangement requests in the spring and summer of 2020 due to the financial difficulties caused to the tenants of our properties by the COVID-19 crisis. We analysed the related financial information and agreed on arrangements in cases where amendments were justified. The decisions were aimed at preserving the long-term cash flow and value of Elo's real estate portfolio as well as offer flexibility to tenants to help them cope with the business challenges presented by the crisis.

## Continuous development measures create energy savings and improvements in conditions

The modernisation of control systems continued in residential properties. More than 2,600 apartments are now equipped with temperature and moisture sensors. The system enables the simultaneous improvement of energy efficiency and living conditions. Opportunities to remotely control automated building systems were also enhanced in the properties, enabling quicker reactions to changes in conditions. The project will continue in 2021, after which all apartments in Elo's wholly-owned residential properties will be subject to remote monitoring.

A building automation survey was conducted at commercial properties to support the future development of the systems. In the coming year, the focus will be on more detailed adjustments and changes to the systems to achieve energy savings as well as improvements in indoor conditions.

The changes implemented in response to the waste management assessment conducted previously at Elo's commercial properties began to produce good results. Waste management was rationalised at many properties and the number of waste collection visits was signifi-

## Responsible real estate investment improves energy efficiency and conditions to increase customer satisfaction.

cantly reduced. At the same time, recycling at the properties was enhanced. This was also reflected in lower waste management costs. Plastic collection, which is now in use at more than 50 residential properties, has reduced the volume of mixed waste.

The development of the energy monitoring system deployed in the previous year continued. The system<sup>2)</sup> enables the automated analysis of long-term consumption data to identify energy saving opportunities. The energy manager in charge of each property records uses the system to record information on significant consumption deviations and actions taken.

Elo is committed to the real estate sector's energy efficiency agreements for all of its directly owned properties. While the results lag slightly behind the interim target for office properties (TETS), the interim target for apartments (VAETS) has already been exceeded by a clear

margin. In addition to these commitments, Elo has set its own, more ambitious target effective from 2021. The target is to reduce the specific consumption of district heating by 10% and electricity by 5% by 2025, using 2019 as the baseline.

### **The responsibility of properties is developed in cooperation with customers and partners**

The responsible maintenance and use of properties depends on effective cooperation and interaction with the customers that use the properties. Social responsibility includes regularly monitoring customer experience and assessing the operations of service providers to continuously enhance service quality. In 2020, we developed our customer satisfaction survey for commercial properties by changing the survey's implementation method and content and by expanding the group of respondents. Our goal is to develop properties based on active dialogue with the users of our properties.

As in previous years, we took part in Motiva's energy-saving week at our office and residential properties. Information was distributed to the tenants of residential and commercial properties on energy consump-

tion and energy saving opportunities via the bulletin boards in residential buildings' stairwells and information displays at commercial properties. At commercial properties, a special campaign to collect waste electrical and electronic equipment was organised for customers along with the opportunity to participate in a fundraising drive by the non-governmental organisation Hope. Customers were urged to participate in Motiva's Energy Hog competition, which increased awareness of energy use in Finland and ways to increase the efficiency of energy consumption and achieve savings at workplaces, on the road and at home.

The operational quality metrics implemented in the previous reporting year in cooperation with Elo's largest property management partner were developed and expanded further. The metrics are used in the operational control of property management and maintenance activities, for example. The monitored areas include indicators of the quality of energy efficiency and maintenance service providers, indicators of the occupancy rate of properties as well as customer satisfaction indicators. Our partner is committed to Elo's Code of Conduct, which is supported by means of an online course, for example. The 3.5% energy saving target set for energy efficiency was achieved during the year under review.

<sup>2)</sup> The real estate sector's energy efficiency agreement 2017–2025 is divided into two categories: rental residential properties (VAETS) and office properties (TETS).

### We invest in the use of renewable energy

Elo has invested actively in renewable energy production. We are one of three investors in Exilion Tuuli Oy, which became Finland's largest wind power producer in 2020 following a significant additional investment in wind power production capacity. Exilion Tuuli Ky has invested in 14 wind power farms in Finland. Their total clean wind power capacity is 380 MW, which represents one-sixth of Finland's total capacity and corresponds to the annual electricity consumption of more than 55,000 detached homes.

The assets in Elo's electricity purchasing portfolio are 100% powered by wind. The certificates of origin are acquired from Exilion Tuuli Ky. All of our residential properties in Espoo will also use green district heating going forward.

The first full-year production data was obtained on the solar power plant completed at the Virtatalo building in Vantaa in 2019. The power plant's annual energy output was in line with the computational target set in the design stage. The energy produced by the plant's nearly 600 solar panels is roughly equivalent to the annual

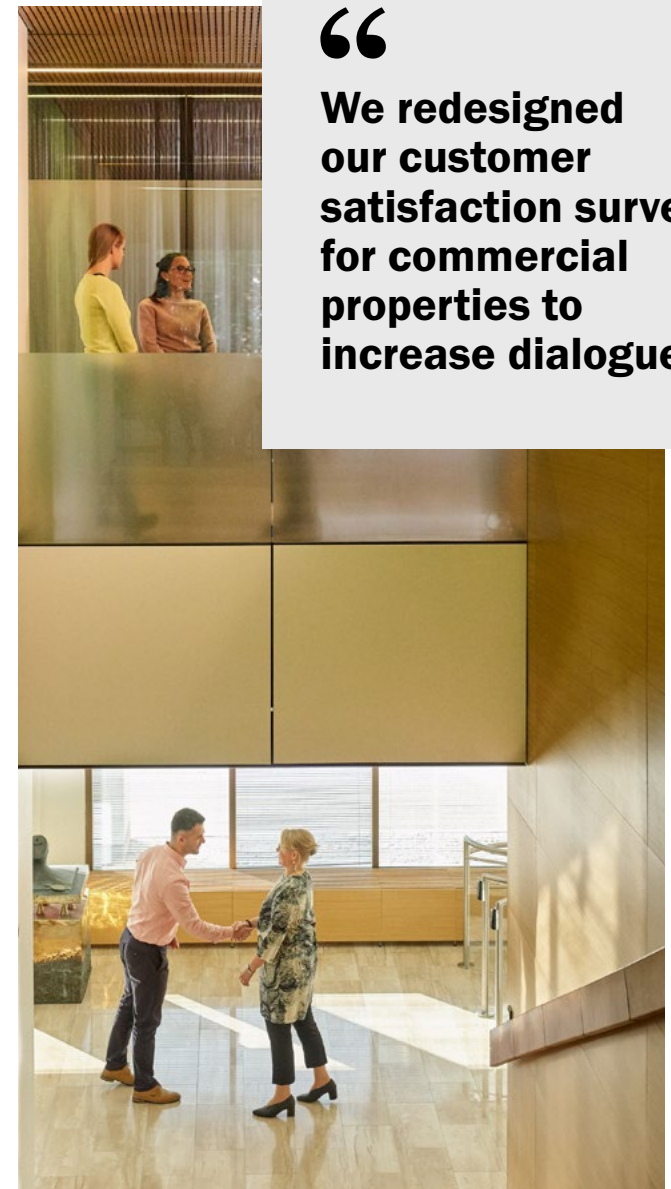
energy consumption of three apartment buildings. A new solar power plant was built during the year at KOy Dynamo in Tampere. The plan is to increase our solar power production in 2021 by building two new solar power plants, one in Helsinki and one in Espoo.

Elo is a shareholder in several significant Finnish shopping centres that have a strong focus on energy efficiency and responsibility. The Sello shopping centre renewed its LEED EB PLATINUM environmental rating in 2020. This rating, which emphasises continuous monitoring and reporting, has only been awarded to 28 properties in Europe and three in Finland. For several years now, Sello has taken extensive and effective measures that are verified by the shopping centre's high LEED rating. Sello is also home to Finland's first virtual power plant, which includes a sizeable solar power plant and an on-site bank of accumulators.

The Hansa shopping centre in Turku published its first responsibility report and set a target of carbon neutrality by 2025. Hansa uses zero-emission green electricity and an extensive renovation project has improved its energy efficiency.

Key environmental figures of direct real estate investments in Finland	2020	2019	2018
Energy consumption of direct domestic real estate (heating+electricity), MWh	109,702	117,512	126,211
Carbon footprint of real estate	13,128	15,498	26,224
Carbon footprint of real estate investments normalised by managed assets, tCO <sub>2</sub> e/MEUR	7.0	9.9	17.7
Emissions intensity, kgCO <sub>2</sub> e/m <sup>2</sup>	21.8	26.0	42.9
Water consumption of real estate, m <sup>3</sup>	409,061	425,371	410,326
Amount of waste, office premises, tonnes	859	898	985
Recycling rate, %	60	61	51

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**We redesigned our customer satisfaction survey for commercial properties to increase dialogue.**”



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



Elo is committed to supporting the TCFD (Task Force on Climate-related Financial Disclosures) reporting recommendations. The recommendations helps companies and investors evaluate and report on the financial impacts of climate change. According to the recommendation, companies should describe how climate aspects are visible in their governance, strategy and risk management, and which targets and performance indicators they use.

Elo's most significant climate-related risks and opportunities are related to its investment assets. The impacts of Elo's own operations are minor. In 2021, Elo aims to determine the carbon footprint of its own operations and set targets for reducing it. In addition, there are indirect risks arising from the business operations of Elo's customers. This section contains information on the climate risks and opportunities of Elo's investment operations in accordance with the TCFD framework.

Elo updated its climate strategy in late 2020. This report addresses topics in accordance with the strategy published in 2017 and the strategy updated in 2020.

## Management of climate risks and opportunities

Responsibility is one of the three focus areas highlighted in Elo's strategy. Recognising climate risks and opportunities and addressing them in the investment strategy is one of the key responsibility objectives of Elo's investment operations. In matters pertaining to the mitigation of climate change, investment operations are guided by Elo's climate strategy, which includes a commitment to aligning the investment portfolio with the

Paris Agreement. The objective of the Paris Agreement is to limit global warming to well below 1.5 degrees. Climate-related policies pertaining to exclusions, for example, are also included in the principles of responsible investing approved by Elo's Board of Directors.

The Board receives regular reports on climate-related aspects. The Board of Directors approves Elo's TCFD report as part of the Annual and Responsibility Report. Responsibility-related topics are discussed by the Executive Group at least once a year as part of the updating of Elo's strategy.

The Executive Group of Investments is responsible for recognising the climate risks and opportunities of investments as well as the drafting and implementation of Elo's climate strategy. The Responsible Investment Steering Group is tasked with the development and coordination of responsible investing and aligning activities with the climate strategy across Elo's various asset classes. The Responsible Investment Steering Group is also responsible for the sharing of best practices and information between asset classes.

Elo increased its resources allocated to responsible investing in 2020. The responsible investment team is tasked with developing Elo's responsible investing, including the management of climate risks and opportunities, together with the asset classes.

The head of each asset class is in charge of the implementation of the climate strategy with regard to their asset class, the achievement of the goals laid out in the strategy as well as development efforts pertaining to the strategy in cooperation with the responsible investment team. Each employee in the investment organisation takes the goals and policies outlined in the climate strategy into account in their day-to-day work, taking the special characteristics of their asset class into consideration. Employees receive regular training on taking responsible investing and climate issues into account in the investment process. (GRI 103-2)

## INVESTOR'S CLIMATE RISKS

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 into three categories: the transition risk arising from the transition to a low-carbon society, the physical effects of climate change and the system risk of the financial markets.

## Elo's updated climate strategy is based on a roadmap

The updated climate strategy builds on the climate strategy published in 2017, which included an ongoing goal of ensuring that Elo's investments do not involve an excessive carbon risk. The indicators used for carbon risk are the carbon footprint of equity and corporate bond investments and the weighted average carbon intensity. Another one of the main goals of the climate strategy was to increase investments that have a positive impact on the environment and society.

In its climate strategy updated in late 2020, Elo commits to an investment portfolio that is aligned with the objectives of the Paris Agreement. The aim is to align the portfolio with a 1.5 degree climate warming target. This calls for purposeful, systematic and long-term action

towards carbon neutrality. Elo's climate strategy is based on a roadmap in which targets are set first for asset classes and later at the strategic allocation level. The IIGCC (Institutional Investor Group on Climate Change) Paris Alignment Investment Initiative framework was utilised in drafting Elo's climate strategy.<sup>3)</sup>

In the first milestone of the roadmap behind the updated climate strategy, a target was set for reducing the weighted average carbon intensity of Elo's investments in equities and corporate bonds. The target is to reduce carbon risk by reducing the weighted average carbon intensity of Elo's equity and corporate bond investments by 25% between 2019 and 2025. For real estate investments, a new additional energy efficiency target was set. The targets are 10% savings in district heating and 5% savings in electricity during the

<sup>3)</sup> <https://www.iigcc.org/download/net-zero-investment-framework-consultation/?wpdmdl=3602&refresh=600e89e205f311611565538>

## ELO'S CLIMATE STRATEGY 2020–2025

*Elo is committed to an investment portfolio that is aligned with the Paris Agreement. This will be achieved by:*

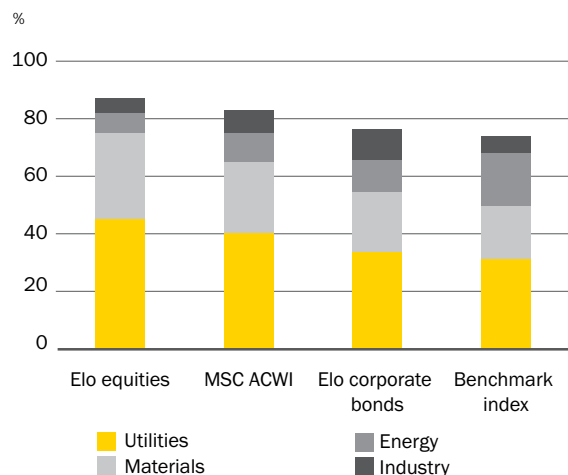
- Reducing the carbon risk of the investment portfolio through a reduction of the weighted average carbon intensity of the portfolio.
- Increasing investments in solutions aimed at climate change mitigation and adaptation.
- Considering climate change risks and opportunities in the investment strategies for each asset class and in the strategic asset allocation.
- Active engagement with companies and other financial operators by ourselves and in cooperation with other parties.

period 2019–2025. The engagement strategy will also be updated in accordance with the climate targets.

Carbon intensity is an established method for measuring the carbon risk of an investment portfolio. It is a retrospective indicator that is based on reported data. Elo's goals for the continued development of the climate strategy include setting forward-looking indicators for the equity and corporate bond portfolios.

At present, 31 per cent of Elo's equity investments are in the four industries that cause the highest emissions. They account for 87 per cent of Elo's weighted carbon intensity. The corresponding figures for corporate bonds are 22 per cent and 78 per cent.

**Industries' contribution to the weighted carbon intensity of Elo's investments in equities and corporate bonds.**



**Continuous development guides investment operations**

Assessing the overall risk presented by climate change to investment operations and evaluating the rate of the political, legislative, technological and business-level changes associated with climate change is challenging. Assessing financial impacts and the development of risk

pension company's basic mission and to manage risks related to the investment markets. Using the currently available tools, calculating the full-portfolio carbon footprint and other climate risk metrics for non-listed asset classes is challenging for a large institutional investor. There are deficiencies in company-specific data with regard to the scope, quality and consistency of the data.

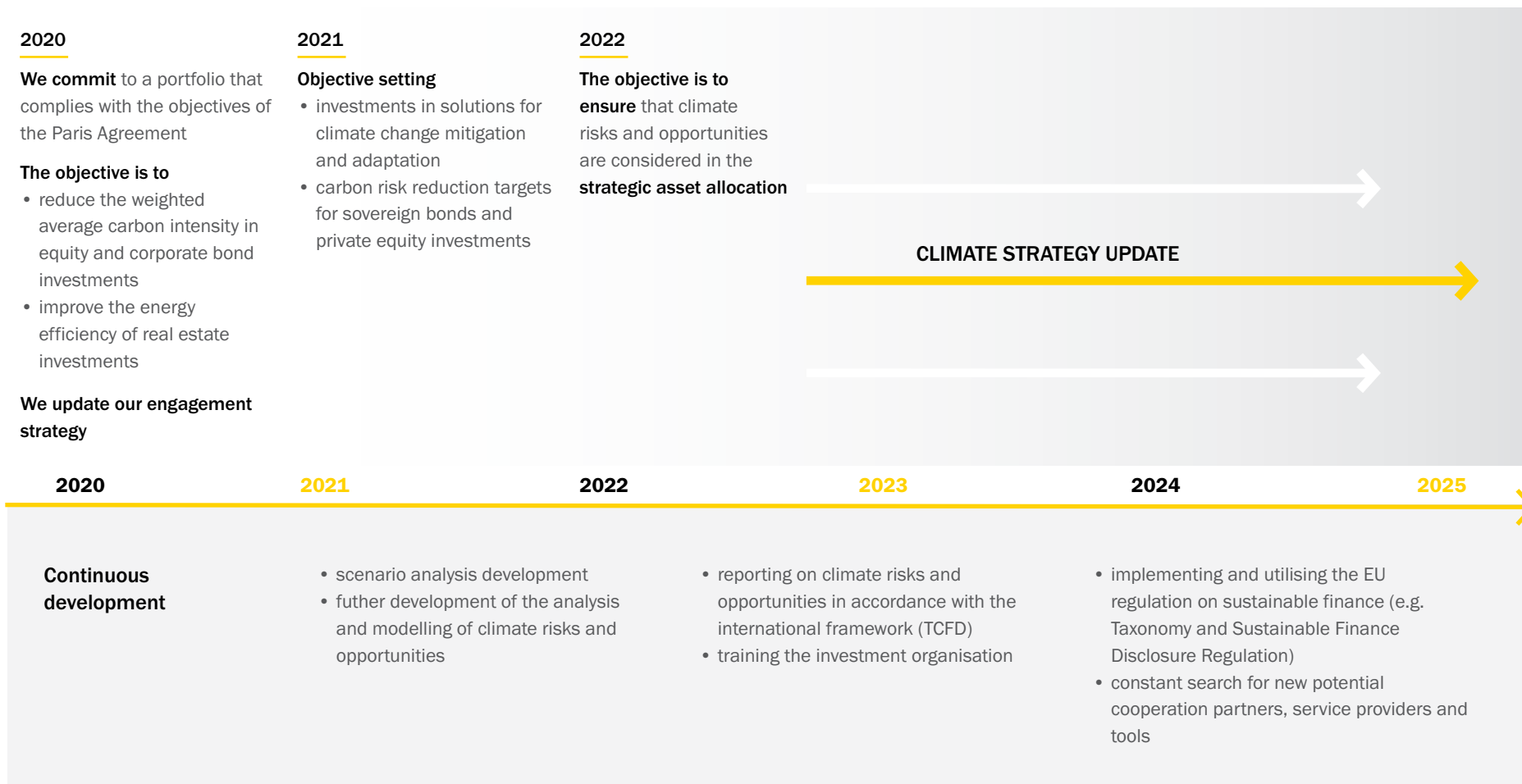
**Companies must ensure a socially sustainable transition when transforming their operations towards a low carbon society.**

and return is particularly challenging, both in individual asset classes and at the level of the entire investment portfolio. Climate risk assessment tools and methods are still imprecise and in the development stage.

Elo's investment portfolio is widely diversified between various asset classes to ensure returns required by the

We continuously investigate available tools and develop methods for the more detailed modelling and assessment of climate risks and opportunities. The continuous development of employee competence plays an important role in the implementation of Elo's climate strategy.

# Elo's climate strategy roadmap 2020–2025





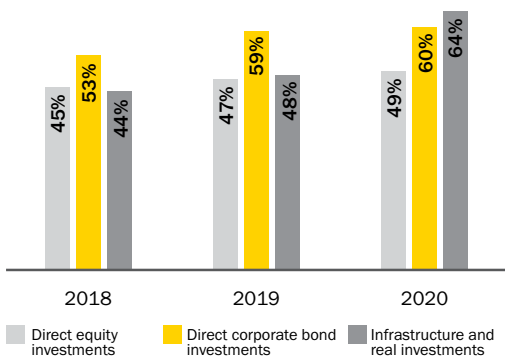
### Finding opportunities

According to a long-term objective set by Elo in 2017, a significant share of Elo's investments will support the achievement of the UN's Sustainable Development Goals by 2025. This goal applies to Elo's direct equity and corporate bond investments and all infrastructure and real estate investments. In 2020, 49 per cent of equity investments and 60 per cent of corporate bond investments had a positive impact on the environment and/or society. The corresponding figure for infrastructure investments was 64 per cent.

Another goal set by Elo was for fund managers to commit to taking climate change into account in their investment operations by 2020.

Elo is committed to setting a target for investments in climate solutions in 2021. We investigated various methodologies for measuring sustainability impacts in partnership with a Finnish university in 2020. We also participate in the Climate Solutions working group of the IIGCC Paris Alignment Investment Initiative. The results of these collaborations will be used in setting our targets.

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



### The role of engagement in mitigating climate change

Engaging with investments is one way to manage climate risks. Companies' strategy and changes in their operations play a key role in preparing for the impacts of climate change, managing risks and creating opportunities.

Elo engages with its investments as part of continuous dialogue with companies, by participating in nomination committees, by voting in general meetings and by pursuing engagement activities together with other investors. We discuss material responsibility-related matters, including climate aspects, in all of our meetings with companies.

Elo's updated climate strategy includes more specific engagement goals with regard to the climate. Elo requires that carbon-intensive companies present reduction plans for emissions and report on their progress. Companies and fund managers are recommended to report on their climate risks and opportunities in accordance with the TCFD reporting recommendations.

Committing to the objectives of the Science Based Targets initiative is also recommended. In 2020, five per cent of Elo's equity investments weight was in companies that had set a strong emission reduction target, such as a target in line with the Science Based Targets initiative, while 66 per cent of the equity investments weight was in companies that had set some emission reduction target or were in the process of setting one.

Elo's ownership policy describe Elo's priorities concerning current investments and the selection of new investments. From the perspective of climate change, we recommend TCFD-compliant reporting, including assessments of the impacts of climate change on business operations. We also recommend that companies report on how they contribute to the achievement of the UN Sustainable Development Goals through their business operations.

In 2020, climate-related items were on the agenda of the general meetings of companies in which Elo owns equity in seven general meetings. Elo voted for the proposals in question in 30 per cent of these instances.

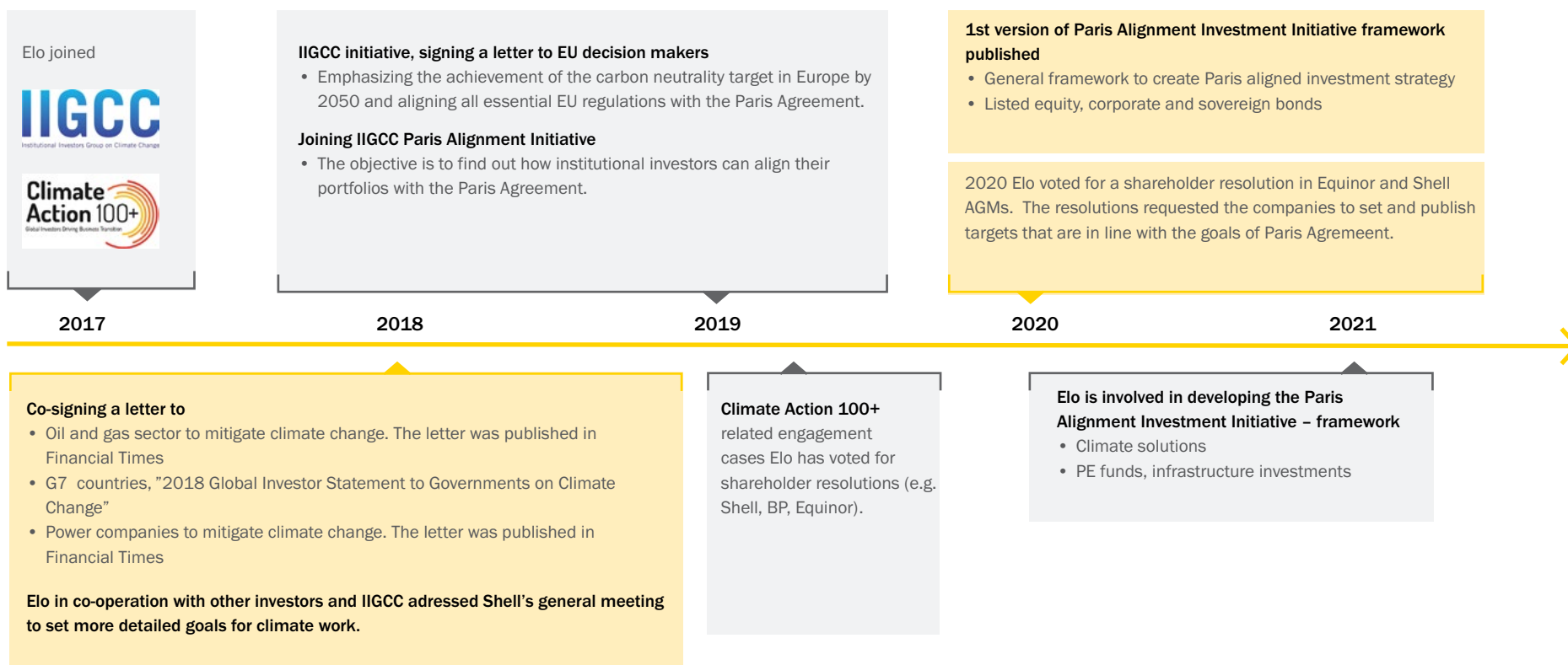
For example, at Equinor’s and Shell’s general meetings, Elo voted for shareholder resolutions to have the companies in question set and publish targets that are aligned with the goals of the Paris Agreement. However, neither resolution found adequate support in the general meetings.

Elo joined the IIGCC’s Paris Alignment Initiative in 2019. The working group completed the first phase of its work in 2020. The aim of the initiative is to find out how the portfolios of institutional investors can best support the achievement of the goals of the Paris Agree-

ment and what would be the implications. A large international working group published the first version of the framework and circulated it for comments in August 2020. Elo is actively involved in many different asset class specific and other sub-working groups in 2021.

Elo also joined the Climate Leadership Coalition, which is Europe’s largest non-profit climate business network. The aim of the network is to collectively achieve significant positive climate impacts through business solutions. For Elo, CLC membership is a tool for cooperation and engagement.

**Figure 2: Engagement – cooperation with the IIGCC and Climate Action 100+ since 2017**



### Scenario analyses as a focus area of development

Scenario analyses are one of the tools we use to assess risks and opportunities related to climate change.

We have conducted various scenario analyses on our equity and corporate bond investments to determine the climate warming path of our investments and estimate the economic impacts of various scenarios. Scenario analyses help us establish increasingly comprehensive estimates of the risks and opportunities brought about by climate change. The analyses still involve considerable uncertainties and the scenarios are likely to significantly underestimate the impact of climate change. Making higher-quality scenario analyses would require more transparent reporting from companies with regard to climate risks and their effects on business operations.

We conducted a scenario analysis comprising all of Elo's investment assets in 2019. According to the analysis, our investments do not involve a carbon risk deviating from the market in the scenarios reviewed.

### Risk management

For Elo, climate risk management is part of responsible investment. In risk management, we use our own analyses as well as a database maintained by an external service provider. We develop new methods of assessing the risks related to climate change in depth in different asset classes, sectors and companies. Our aim is to have the ability to assess the degree to which carbon risk is taken into account in the valuation of each investment.

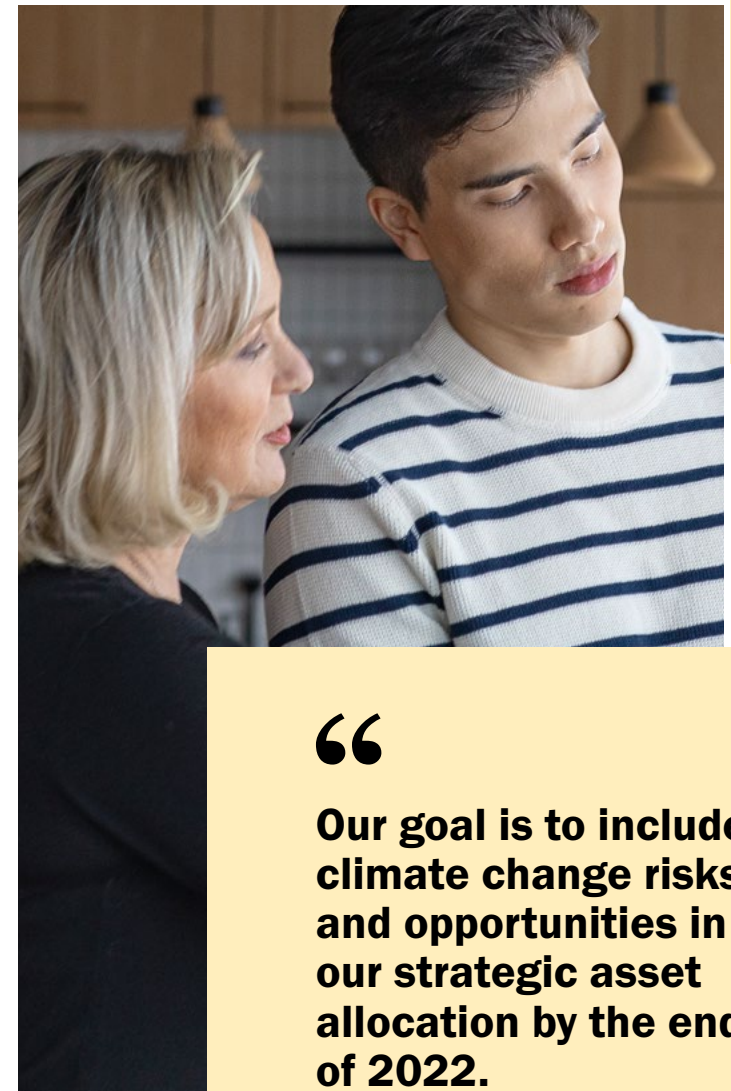
We focus on identifying and managing climate risks and opportunities at the asset class and portfolio level, especially with regard to equity and corporate bond investments as well as real estate. Our goal is to include

climate change risks and opportunities in our strategic asset allocation by the end of 2022. Risk management and the measurement of financial impact will become easier with the development of the data reported by the companies and the tools used for analysing the data.

In 2020, we adopted a new tool to assess the positioning of equity and corporate bond portfolios in various scenarios and evaluate the economic risks of climate change more accurately. We will continue the deployment of the tool in 2021.

In 2020, 63 per cent of Elo's equity investments were subject to lower-than-average transition risk, 9 per cent were subject to higher-than-average transition risk and 21 per cent were subject to average transition risk.

41 per cent of the total weight of Elo's equity investments are in companies that produce some type of clean technology solution. The corresponding figure for corporate bond investments is 31 per cent. Examples of clean technology solutions include solutions related to energy efficiency, alternative energy, the reduction of pollution and sustainable water solutions.



**“**  
**Our goal is to include climate change risks and opportunities in our strategic asset allocation by the end of 2022.**

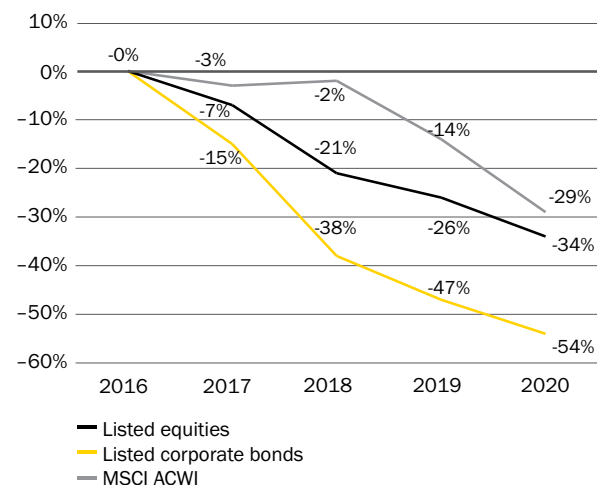
### Climate targets and metrics

#### Exclusion

We have excluded from our investments companies that derive more than 25 per cent of their turnover 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. (GRI 103-3) In 2020, there were a total of 100 companies excluded from investments based on our exclusion criteria concerning coal.

In Elo's equity and corporate bond portfolios, the weights of companies that have significant reserves of fossil fuels – such as coal, gas or oil – are lower than in the benchmark indices.

#### Elo has systematically reduced the carbon risk of its portfolio since 2016



### Evaluation and reduction of carbon risk

One of the key metrics used in climate risk management in equity and corporate bond investments is the carbon footprint. Elo has disclosed its carbon footprint since 2016. 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 our forest investments as part of our carbon risk analysis.

Since 2017, Elo has reported the carbon intensity of its equity investments as well as the weighted average carbon intensity, which is a carbon risk metric recom-

mended by the TCFD. (GRI 103-3) Carbon intensity expresses the carbon footprint relative to turnover, which makes it easier to compare companies of different sizes. For corporate bond investments, Elo has reported the weighted average carbon intensity since 2017. Between 2016 and 2020, Elo reduced the weighted average carbon intensity by 34 per cent for its equity investments and by 54 per cent for its corporate bond investments.

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. In Elo's updated climate strategy, a new energy efficiency target was set for real estate investments based on the actual use of properties. The targets are 10 per cent savings in district heating and 5 per cent savings in electricity during the period 2019–2025.

For equity and corporate bond investments, we use an external service provider in the calculation of carbon footprint, carbon intensity and weighted average carbon intensity. Where public verified information is not available, estimates based on the service provider's calculation model are used. In addition to carbon footprint calculations, we use the service provider's analyses in the assessment of other climate risks and opportunities as well as scenario analyses. We are exploring opportunities to use new scenario analysis tools in addition to the current tool.

In Elo's updated climate strategy, we have set a target of reducing the carbon intensity of Elo's equity and corporate bond investments by 25 per cent during the period 2019–2025. In the roadmap that underpins the climate strategy, we have laid out a goal of setting a climate risk reduction target for our private equity fund and sovereign bond investments in 2021. The long-term objective is for our investments to be aligned with the goals of the Paris Agreement. We monitor the achievement of our targets in our Annual and Responsibility Report.

In 2020, carbon footprint calculation covered 53 per cent of our investment assets.

In the 2017 climate strategy we had a goal that outside fund managers commit to take climate change into account in their investment operations. The goal was fully reached in equity, corporate bond and infrastructure funds managers. In private equity a clear majority of the managers are committed to consider climate change in their investment operations.

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

<b>Listed equities</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Carbon footprint (tCO <sub>2</sub> e/invested MUSD)	112	147	180
Carbon intensity (tCO <sub>2</sub> e/sales MUSD)	193	208	215
Weighted carbon intensity (tCO <sub>2</sub> e/sales MUSD) (TCFD)	181	203	219
Carbon footprint data coverage	100 %	97 %	95 %
<b>Listed corporate bonds</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Weighted carbon intensity (tCO <sub>2</sub> e/sales MUSD) (TCFD)	169	192	225
Carbon footprint data coverage	93 %	88 %	88 %
<b>Direct real estate investments</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Carbon footprint (tCO <sub>2</sub> e)	13,128	15,498	26,224
Normalised carbon footprint (tCO <sub>2</sub> e/MEUR)	7	9	17
Carbon footprint data coverage	78 %	67 %	70 %
<b>Carbon sink impact of forest investments</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Carbon sink of forest investments (tCO <sub>2</sub> )	260,000	250,000	220,000
Carbon storage of forest investments (tCO <sub>2</sub> )	6,650,000	6,500,000	5,800,000

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RESPONSIBILITY FOR THE CUSTOMERS

# Supporting our customers in their day to-day lives – in all circumstances



## Supporting our customers in their day-to-day lives – in all circumstances

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 services effortless and serve our customers responsibly so that they can focus on their business operations.

Professional expertise, taking responsibility and caring are the key elements of our customer service. These elements 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. This was emphasised during the exceptional circumstances seen in 2020 when the COVID-19 crisis tested our customers and society as a whole.

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 speaks to the high level of customer trust. At the end of 2020, we were responsible for the pension insurance of about 83,600 self-employed persons and for the employment pension insurance taken out by 48,300 employers, covering a total of approximately 393,100 employees.

Elo's in-house service is supplemented by long-term, close and effective cooperation with our partners Fennia, LocalTapiola and Turva. Our partners' comprehensive service network guarantees that employment pension insurance services are available across Finland. Elo's insurance can also be procured from our cooperation partners, such as the Eezy Light Entrepreneurs invoicing service, the Polku service for entrepreneurs and the ilona.works online store.

### The impacts of the COVID-19 crisis on our customers

The COVID-19 crisis that began in spring 2020 affected many of our customers. A temporary special provision allowed us to grant a three-month extension for the payments of pension insurance premiums. We quickly made a change to our online service to allow

our customers to conveniently change the due date in the online service. The number of postponements of TyEL insurance contributions was multiple times higher than normal. The number of postponements was the highest in April. More than 10 per cent of our self-employed customers also postponed the due dates of their YEL insurance contributions.

The COVID-19 pandemic was reflected in the TyEL payroll, which was approximately 1.5% lower in 2020 than in 2019. TyEL payroll declined the most in the hotel and restaurant sector. The number of upward and downward adjustments made to earned income by self-employed persons was multiple times higher in March–April than in previous years. The number of YEL insurance terminations was also substantially higher than normal in March and April.

### Continued development of customer service

Entrepreneurs were in touch with our customer service more than usual during the spring with enquiries related to deferring their payments or changes to their policies. We were nevertheless able to maintain an excellent service level throughout this time and there was no congestion at any point. In 2020, our insurance services received a total of some 75,000 customer service calls, and our answering rate was very high at approximately 98%. The average waiting time was 28 seconds.

We have worked systematically on our customer service for several years now, and these efforts are reflected in the services received by our customers and their perceptions of our services. We measure the customer satisfaction of our telephone service by way of the net promoter score (NPS). The quality of our customer service was put to the test in 2020.

In spite of the challenges, we achieved a new record in our measured customer experience with a net promoter score (NPS) of 90.7. 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. In 2020, our customers also expressed their appreciation for the understanding we showed in the difficult circumstances.

It is very important to us that our customers can get their TyEL and YEL issues resolved in a single call. Over 94 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, our service processes and the underlying information systems 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. The feedback we receive and collect from our customers is an important part of our continuous development, in which we also make use of analytics and robotics.

Our online service is used by approximately 83 per cent of our TyEL customers and approximately 80 per cent of our YEL customers. It includes many useful services for our self-employed customers and employer customers of different sizes and in different situations. We have continued to develop our online service based on the feedback we have received and in close collaboration with our customers. This collaboration has included, for instance, interviews and testing changes with customers.

The option of changing the payment method has been added to the online service, for example. The monitoring of income notifications entered into the incomes register and the TyEL contributions made based on the notifications has been improved and a reporting option has been added to enable the monitoring of the pension expenditure affecting the premium category. Making changes to YEL insurance was also made easier. The

**Our customers' net promoter score (NPS) for our services on a scale of -100 (lowest) to 100 (highest).**

	Insurance telephone service	Online service for corporate customers
2020	90.7	51.6
2019	86.1	33.4
2018	84.0	29.1
2017	82.9	17.2



**“IS EVERYTHING OK?” - Our active contact with our customers is more than just sending invoices**

We invested even more on maintaining proactive contact with our customers in 2020. For example, we contact customers directly in specific stages of the customer relationship. We ensure that our customers have up-to-date information on insurance, pensions and Elo's services. We also discuss ways to help the customer even more effectively.

Our experts understand that not everyone is as interested in pension insurance matters as we are. This is why we talk about insurance matters in plain language and make them as easy to understand as possible to enable our customers to focus fully on their business operations. Our contacts have received a very positive welcome from our customers. We will continue to develop our active approach to customer care and provide an even better customer experience.



**CASE**



**WE BEAR RESPONSIBILITY FOR HAVING SELF-EMPLOYED PERSONS SET THEIR YEL EARNED INCOME AT THE RIGHT LEVEL**

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 Finland's largest pension insurance provider for self-employed persons, we consider it especially important for our self-employed customers to set their earned income at the right level throughout their career.

We engage in active and easy-to-understand communication with our self-employed customers through the various stages of the entrepreneurship life cycle regarding the significance of the level of earned income set by a self-employed person with regard to their pension security and social security. We bring up this issue in our customer service and advise our customers accordingly in our online service, for example.

services help our customers plan and manage their business operations.

We have also updated our online service to make it clearer and more accessible in compliance with the Accessibility Directive to ensure that all of our customers can use our service. The NPS for the online service was the highest on record in 2020 at 51.6.

**E-invoicing is a step towards reducing environmental impacts**

A growing number of our insurance customers have switched to e-invoicing over the past few years.

A total of 46.6 per cent of TyEL customers and 38.4 per cent of YEL customers have chosen e-invoicing. We want to offer a wide range of e-invoicing options and we have developed our services to correspond to customer needs.

In 2020, we introduced the option of using e-mail invoicing in addition to the previously offered online invoicing and e-invoicing options. Our invoices can now also be received via Posti's OmaPosti service. E-invoicing is part of our responsible approach to business, as it benefits our customers through increased operational efficiency while reducing the environmental impacts caused by paper mail. For paper invoices, we switched to Posti's carbon-neutral service in 2020.

**BLOG 4 DECEMBER 2019:**

**Self-employed person – have you set your earned income at the right level? Four tips for determining your earned income**

According to Finnish legislation, a self-employed person's YEL earned income should correspond to their estimate of the value of their work input in the enterprise. Earned income should not be set arbitrarily. It should be based on each self-employed person's specific situation. [Read more \(in Finnish\) >](#)

**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 2020, Elo's operating expenses were 74 per cent of the premium expense loading. For 2020, Elo will transfer EUR 27.7 million to customer bonuses, which corresponds to 0.20 per cent of the TyEL payroll.

A temporary 2.6 percentage point reduction was made to employers' TyEL insurance contributions concerning the insurance contributions for wages paid during the period 1 May–31 December 2020. The reduction was caused by a COVID-19-related legislative amendment that applied to all employers. Due to the reduction, the customer bonuses paid by all employment pension companies in 2021 will be only one-third of the normal amount.

# Financing solutions for our customer companies

Elo's diverse financing products support profitable growth, employment and competitiveness. Our customised financing solutions complement the offering of our financing partners, such as banks, Finnvera and accident insurance companies.

We carefully review each project and listen to the customer, which enables us to provide the best possible financing solution. Our experts are familiar with the financing solutions offered by our network even in situations where we are unable to offer financing ourselves.

Many of our financing customers faced challenges in 2020 and the demand for relending, for example, was higher than in the previous years by a factor of dozens. We used various financing solutions to support our customer companies and help them overcome the challenges of the year of COVID-19 and develop their business in the long term.

Our primary financing products are relending and growth loans as well as SME loans for the financing needs of small and medium-sized enterprises. We also offer mezzanine financing and investments in unlisted profitable medium-sized growth companies. 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 investment in the financing decisions.



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**Financing solutions support the development of Finnish companies and the improvement of their competitiveness.**

# Responsible employers invest in work ability management

Changes in working life, the ageing of the population and the growing number of disability pensions make long and uninterrupted careers more important than ever before. We are closely involved in the day-to-day operations of our customers, fostering strong expertise in work ability management.



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

The Financial Supervisory Authority's guidelines and reporting regulations on the disability risk management of employment pension companies guide the development and provision of our work ability 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 work ability projects with at least the same amount as the employment pension insurance company. In 2020, Elo spent EUR 3.2 million in total on costs covered by the disability risk management contribution.

We conducted an extensive internal assessment at Elo in spring 2020. We developed the risk-based approach to risks related to disability, the smoothness of our processes and further strengthened the role of compliance activities as a part of internal control. We also made the measurement of the impact of work ability risk management more systematic.

## The principles of Elo's work ability management services are as follows:

- Advisory services related to work ability risk management are intended for all of Elo's customer companies.
- An assessment of work ability risks provides the starting point for service provision.
- Services and financial support are targeted at identified risks.
- Elo actively monitors the impacts of the actions taken in customer organisations and evaluates their long-term impact.

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



### **Work ability 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. 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 responsi-

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

Work ability management is a preventive, goal-oriented and long-term activity carried out by several parties in cooperation to promote employees' work ability and management's ability to manage work. Occupational well-being is the result of high-quality work ability management. Concrete results are seen in sickness absence

## **In the latter stages of careers, it is particularly important to maintain employees' competence to safeguard their work ability and motivation.**

lity for maintaining competence.

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 early and in a sustainable manner. Later in a person's career, there will also be life circumstances that have diverse effects on work ability, and they can require at least flexibility in working hours or retraining, for example. In the latter stages of careers, it is particularly important to maintain their competence to safeguard the work ability and motivation of employees.

We support our customer companies in work ability management, which provides them with tools and means for supporting the work ability of employees early in their careers, along the way through changes in life, and in extending careers until retirement. Furthermore, we aim to help companies to develop existing and new processes for supporting work ability in different points of the career.

and disability costs and the productivity of the company over the long term.

Successful work ability management ensures that employees retain their work ability and can perform well at their jobs. This provides the company with a sustainable foundation with regard to its personnel and helps it achieve its business objectives.

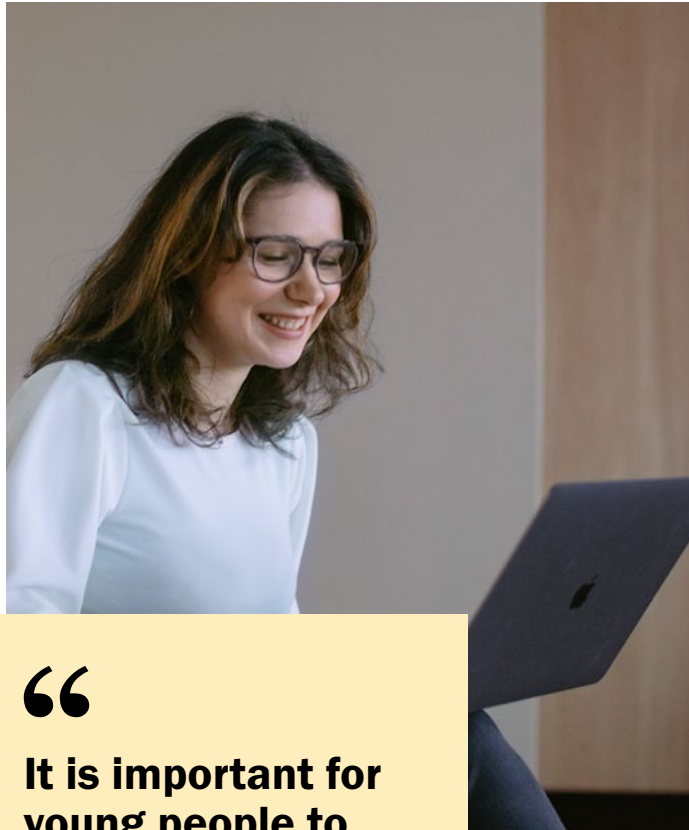
We offer various customised tools, training and expert support for different sizes of companies in different phases to assess their strengths and personnel risks. Our experts in work ability management services are partners to corporate management in detecting, managing and preventing work ability risks. Our extensive network ensures that we have the ability to 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 the programmes. The tools included in Elo's online services enable us to assess the effectiveness of projects implemented in cooperation with our customers and the experiences 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' work ability management expertise**

The COVID-19 pandemic led to unprecedented growth in the trend of remote work, digital meetings and digital tools, both in our customer companies and in our work with customers. As the virus began to spread in Finland, we immediately moved all planned customer meetings and training activities online to avoid physical encounters and mitigate the spread of the epidemic.

In 2020, we organised a total of 14 live webinars on work ability management that were open to all of our customers. Representatives of approximately 2,457 customer companies attended the events. Before the COVID-19 crisis began in Finland, we organised four events for customers. The content of the training sessions is built based on our customers' needs and identified work ability risks and work ability management challenges that Elo's experts and our customers consider to hinder the day-to-day operations and success of our customer companies.



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**It is important for young people to find their place in working life early and in a sustainable manner.**

The training activities provide assistance in, and perspectives on, matters such as the identification of work ability risks, work ability management as part of managerial work, supporting mental health at the workplace, cognitive ergonomics and change management at the workplace. Our customers found 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.

Elo arranged two Super Specialist training courses on work ability management in 2020, with 53 persons responsible for work ability management at 37 customer companies attending. It is a training package that lasts for around a year, and it helps to get the company's work ability risks and resulting costs under control. The purpose of the training is that the attendees will promote systematic work ability management in their organisation, making use of their partners and Elo's work ability 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 work ability management tools to be incorporated into their company practices.

The Master at Work Ability Management online training was added to the service offering for SME customers in 2020. The training aims to provide SMEs with education appropriate for their industry, size and work ability risks in matters relating to work ability manage-

ment. Two groups started the training in 2020, consisting of 98 participants in total.

Elo's training activities and programmes focused on disability risks reached a record audience in 2020, which enabled us to support a growing number of customer companies in the prevention of disability risks.

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

Our work ability management online service provides information and tools for day-to-day managerial work and the development of work ability management. These tools include a work ability management handbook and a guide on workplace support for employees who suffer from depression.

By using our online service, our customers gain an overview of the current state of the company's work ability 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 work ability management services. Elo's aim is to educate companies of all sizes about the benefits of work ability management.

**Elo's Work Ability Management Toolkit provides a comprehensive range of tools for work ability management**

We published a Work Ability Management Toolkit on our website at the beginning of 2020. Elo's Work Ability Management Toolkit is a practical collection of digital



tools and content that includes useful tools for work ability management and to support day-to-day managerial work. Its contents are divided into four main categories: risk assessment, employee performance management, intervention in challenges related to work ability and reduced work ability.

The toolkit enables customers to assess the disability risks of their personnel by means of a work ability mana-

pension companies bear social responsibility for the state and development of work ability and related preparedness in Finland as a whole. For this reason, the contents of the toolkit are freely available to employers that wish to operate responsibly by looking after their employees.

In addition to the Work Ability Management Toolkit, Elo's customers benefit from the support of experts in

## Good work ability management is reflected in sickness absence and disability costs as well as the company's productivity in the long run.

gement risk indicator, for example. The indicator tool also provides intervention recommendations. Supervisors and team leaders can practice their feedback skills and develop their skills related to recognising work-related stress. The toolkit also provides our customers with support for early intervention, which is an especially important skill in these exceptional times.

The toolkit is a collection of tools that is available to everyone. Using the toolkit is not conditional on becoming a customer of Elo. As expert organisations in working life, careers and work ability, employment

work ability management regarding, for example, the use of the tools in the toolkit, assessing work ability risks and interpreting the results of the assessments.

We continuously update the work Ability Management Toolkit with new content. The toolkit is available to all interested parties on Elo's website in Finnish, Swedish and English.

### **BLOG 10 DECEMBER 2020:**

#### **How is responsibility realised by supporting people with reduced work ability?**

What does responsibility mean from the perspective of employees' work ability and the management of work ability? This question can be approached by thinking about concrete ways to ensure that employees with reduced work ability can participate in work and support returning to work after sickness absences. This is how the responsibility of an employer's HR policy can be measured. [Read more \(in Finnish\) >](#)



## Pension security now and in the future

**We are responsible for the pension security of 243,600 current pensioners and 476,700 future pensioners. In 2020, the amount of pensions we paid out totalled EUR 3,552.9 million.**

Retirement is the start of a new stage in life, without the familiarity of work. The end of a customer's career changes the pillars of their daily life, including their social relationships, daily routines and income. The effects also extend to the families of our customers.

Every customer's situation is different. That is why it is important for our customers to find out what their alternatives are with regard to retirement.

### **Effortless services and quick pension decisions ensure the continuity of customers' income**

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 2020, we made 25,800 (26,000) pension decisions by application. Because it is vital to secure the continuity of our customers' livelihood upon retirement, our objective is to keep pension application processing fast and ensure high-quality and clear decisions for customers. We continuously monitor the quality of pension decisions to ensure that our customers receive correct and timely pension decisions.

Elo has systematically developed pension application handling and had succeeded in making the process faster and easier for the applicant.

The processing times for pension decisions at Elo have been faster than the industry average throughout Elo's entire existence. In 2020, we made pension decisions 4 (9) days, or 18 (25) per cent, faster than the overall average for other employment pension companies. We issued decisions

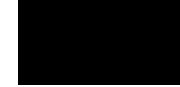
on applications of self-employed persons 26 (33) per cent faster than the average for other pension companies. In 2020, Elo made old-age pension decisions on average in three days, for example, while the sector's average was 11 days. The decision on partial early old-age pension is usually made within one day or even the same day, while the sector's average was four days. Elo also made decisions on survivors' pension faster than the sector's average.

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. In late 2020, a new electronic system for transmitting social security data between EU countries was deployed. The deployment of the system is expected to further speed up the processing of pensions derived from other countries.

### **COVID-19 had an impact on our customers' pension plans**

In 2020, the COVID-19 pandemic changed many of our customers' plans related to old-age pension. In October 2020, the number of old-age applications we received was substantially lower than expected. The same phenomenon was seen across the pension sector. According to statistics published by the Finnish Centre for Pensions, the number of old-age pension decisions issued in October 2020 was approximately 35 per cent lower than in the previous year.

We investigated the reasons behind this change. For some customers, COVID-19 brought so much



additional work that they felt it was not the right time to retire. Restrictions on recreational activities, such as travel and hobbies, also postponed the pension-related plans of many people who have reached retirement age.

The uncertainty caused by COVID-19 was also reflected in our customer service in 2020. As they weighed their options concerning retirement, customers needed more support than before in making personal decisions.

## Effortless services and quick pension decisions ensure the continuity of customers' income.

Phone calls with customers were longer than previously and included extensive discussions about their individual life circumstances and various forms of pension.

COVID-19 also affected the work of Elo's customer service personnel. Most of Elo's employees quickly switched to remote work almost entirely in March to reduce

meetings and mitigate the COVID-19 epidemic. In spite of the quick transition and the changes to meeting routines, Elo's customer service maintained its high level.

### High-quality customer service is a daily goal for us

Our customers deserve uncomplicated and expert service across all of our channels. In 2020, we conti-

nued our long-term investments in multi-channel services and making services easier to use, especially online. The volume of electronic service use has increased year by year. More than 70% of our old-age

pension applications, for example, are submitted via our online service. Our customers who apply for a pension can manage nearly all of their pension-related affairs in our online service, from planning their retirement to applying for a pension and managing pension payments.

Our customers are very satisfied with the service they receive from Elo. In pension services, we answer customers' calls within 20 (11) seconds on average and our response rate is 99 (99) per cent. The NPS for our telephone service was 73.3 (70). Of the people responding to our pension service satisfaction survey, 92.5 (88) per cent rated our service very good or excellent. In particular, our customers have lauded us for our expertise, service attitude and availability.

We continued the development and further expansion of our online service in 2020. We introduced new services, such as an electronic rehabilitation plan and orphan's pension application. We also improved many of our existing services based on customer feedback. 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 66.3 (59).

We strongly strive for our employees' expertise relating to pensions and applying for them to be of as high quality as possible. We also continued to invest in developing our customer service culture. New technological solutions, such as robotics and data analytics, increase the efficiency of our work and help us develop our customer service. We launched a chatbot to support our customers with the use of online services. We also have a chat service to support our customers with the use of online services during our customer service hours.

### Our customers' net promoter score (NPS) for our services on a scale of -100 (lowest) to 100 (highest). (GRI 103-3)

	2020	2019	2018
Pension telephone service, NPS	73.3	69.9	72.5
Online service for insured persons and pension recipients, NPS	66.3	58.9	55.2
Customer satisfaction survey after pension and rehabilitation decisions, share of excellent scores, %	92.5 %	88.3 %	86.2 %



### Winds of change: incomes register and survivors' pension reform

The incomes register introduced in 2019 has brought changes to daily life for both customers and Elo. The incomes register has also made cooperation between employment pension companies and the tax authorities smoother. From the beginning of 2021, the incomes register will expand to also cover benefit data, meaning that Elo will report paid pensions into the system.

We report data on pensions and benefits directly into the incomes register and disburse taxes to the tax authorities based on information entered in the incomes register. The tax authorities receive all information on paid pensions and benefits from the incomes register for the purpose of creating pre-filled tax returns and tax cards. Customers can now also check all of their income information from the incomes register.

We also use data reported by other payers of benefits, such as Kela, which will accelerate pension processing and contribute to the correctness of decisions.

Legislative reforms concerning survivors' pensions

were discussed in 2020. The duration of surviving spouse's pension will be limited to 10 years or until the youngest child entitled to orphan's pension turns 18. Common-law spouses who live in the same household will also be eligible for surviving spouse's pension and orphan's pension will be extended to the age of 20. The legislative amendments will enter into effect on 1 January 2022.

The reforms are intended to reinforce survivors' pensions as a source of income for families with children, improve the financial sustainability of the pension system and better address changes in family structures. The amendments will not apply to previously granted surviving spouse's pensions, but previously granted orphan's pensions will be extended.

Elo communicated the upcoming changes to its customers in 2020 and will implement changes in systems in 2021 as necessitated by the reforms. We will also train our customer service representatives to answer customers' questions regarding the changes to survivors' pensions.

### BLOG 13 NOVEMBER 2020:

#### An uncomfortable call with a customer – fortunately Elo's online service provides advice to both employers and employees and prevents you from having to celebrate your retirement twice

Employees' plans regarding retirement should be openly discussed – for example, in connection with performance and development reviews. This enables employers to plan their personnel resources in good time while allowing employees to plan their retirement.

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

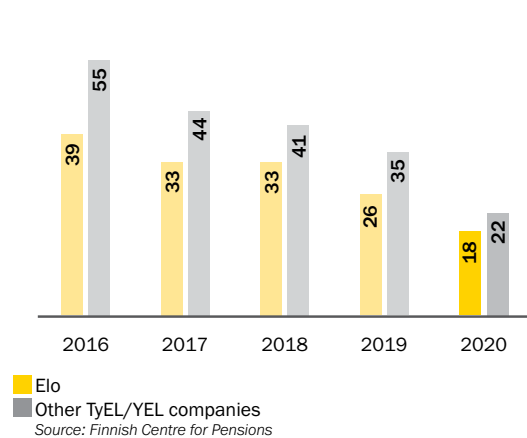
### INTERVIEW 15 JANUARY 2021

#### Industry-leading service at life's turning points

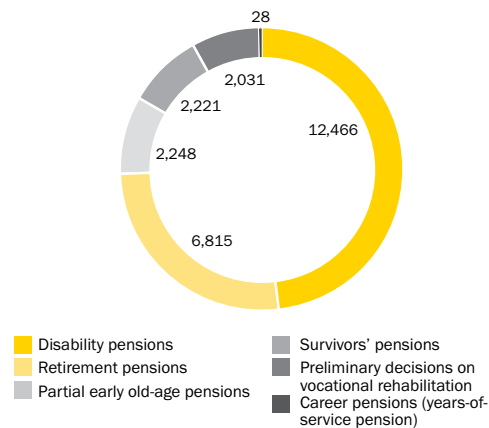
Retirement is one of the major turning points in life. We want to make it as easy and smooth as possible for our customers. Quick pension processing and easy-to-reach customer service are high priorities for Elo every day.

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

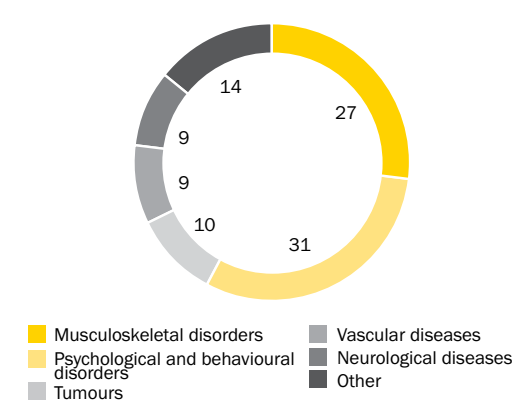
### Pension application processing times, days



### Number of pension decisions by pension type



### Medical reasons for new disability pensions granted



# Rehabilitation is a path back to working life

**A career need not end prematurely due to a person's reduced capacity for work. Vocational rehabilitation provides an opportunity to continue working with an adjusted job description or even through retraining.**

The goal of vocational rehabilitation is to prevent permanent disability by finding a suitable job for everyone where continuing to work is possible despite restrictions related to work ability and health. Vocational rehabilitation can be a work trial, job coaching or study support. The primary option is to rehabilitate employees at their own workplaces using job adjustments or entirely new job descriptions. In 2020, there were approximately 3,550 people in Elo's vocational rehabilitation.

In 2020, we received 3.6 (3.7) per cent fewer rehabilitation applications than in 2019 and issued 2,031 (2,070) preliminary decisions on rehabilitation applications. We also issued some 1,250 (1,100) preliminary decisions in conjunction with disability pension decisions when the requirements of rehabilitation were met. On average, Elo processed vocational rehabilitation applications in 16 (17) days.

Musculoskeletal disorders were the most common reason for applying for rehabilitation in 2020 and accounted for 43 (45) per cent of applicants. Mental

health disorders were the cause for applying for rehabilitation for 28 (27) per cent of the applicants. The number of approved applications for vocational rehabilitation due to mental health-related causes decreased by 6 (7) per cent.

In 2020, 70 (73) per cent of those in Elo's vocational rehabilitation were able to return to the labour market. Correct timing, a rehabilitation plan that corresponds to the customer's needs and the labour market situation as well as the rehabilitee being motivated are crucial to the success of rehabilitation.

## Supporting our customers on the path of rehabilitation

Our goal is to support our customers' return to work with a wide range of means. Knowledgeable and human-oriented service is essential in supporting a rehabilitee from the start to the end of the rehabilitation journey.

In spring 2020, we surveyed Elo's rehabilitees regarding their experiences, thoughts and views on how we should develop further. We received 133 responses, with many of them highlighting the wish to receive more information on the various stages of rehabilitation. To respond to the need for information, we develop our electronic services and website content to be more instructive and improve our proactive support for customers in rehabilitation processes in cooperation with our partners. In 2020, we also focused particularly on the use of analytics in developing customer service and the effectiveness of rehabilitation.

The COVID-19 pandemic has had an impact on Elo's rehabilitees. Preparing rehabilitation plans takes more time during the pandemic, for example. In spite of the exceptional circumstances, work trial opportunities have been found and progress has been made on the training plans of rehabilitees as usual. Elo is flexible with regard to the scheduling of actions outlined in rehabili-



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**Reacting to challenges related to work ability at an early stage and providing timely support can prevent dropping out of the workforce.**”



tation plans when the situation requires it. Occupational mentors and rehabilitees switched to remote meetings.

For some of our customers, the COVID-19 pandemic is especially stressful, as concerns about the virus can delay a person's dreams of returning to working life if they belong to a risk group. With this in mind, it is important for rehabilitees to receive support from their occupational mentor, employment pension company and occupational health provider to maintain hope of returning to working life.

### **The growth of new disability pensions levelled off**

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 2020, we made 12,494 (12,105) disability pension decisions by application, which was 3.2 per cent more than in 2019, when the growth rate exceeded 5 per cent.

The most common grounds cited for disability pension are psychological disorders and musculoskeletal conditions. In 2020, psychological disorders were the most common reason for applying for new disability pensions for the second consecutive year. The share of psychological grounds in disability pension applications increased by 7 per cent compared to 2019. This represented a levelling off, as the corresponding growth rate in the previous year was 18 per cent.

In 2020, Elo rejected 36.1 (32.1) per cent of new disability pension applications, which is more than in the previous year. Disability pension applications are rejected when the grounds for approval are not fulfilled. Decisions on disability pensions are based on employment pension legislation. In addition, decisions on disability pensions are guided by established decision practices as well as decisions handed down by appeal bodies.

The Pension Appeal Board changed 8 (10) per cent of Elo's disability pension decisions appealed by Elo's customers. For all pension institutions, the corresponding figure was 11 (13) per cent.

The rejection rate of disability pensions increased slightly throughout the employment pension industry for the second consecutive year. In total, pension employment companies rejected 36.8 (33.7) per cent of new disability pension applications.

### **Smoother cooperation to support work ability**

Reacting to challenges related to work ability at an early stage and providing timely support can prevent dropping out of the 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 identifying and reducing disability risks and provide them with ready-made practical tools for preventing disability.

In disability pensions, Elo focused on ensuring high-quality decisions and further enhanced the processing of pensions.

We also 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 rehabilita-

tion. 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 work ability.

#### **BLOG 1 JUNE 2020:**

### **A new direction in working life – occupational mentors help with vocational rehabilitation even during exceptional times**

We can help rehabilitees returning to work by offering an occupational mentor's assistance to plan the return to work. Unemployed rehabilitees are also eligible to receive assistance from an occupational mentor. Employers save in potential pension contributions if the rehabilitee returns to working life. [Read more \(in Finnish\) >](#)

#### **BLOG 8 DECEMBER 2020:**

### **Cooperation to support work ability starts from small signals recognised by the employer**

The transformation of work and the COVID-19 pandemic have changed working life. The crisis has created a state of uncertainty in working life. The direction of future development is more unpredictable than it usually is.

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

A young man with dark hair, wearing a white sweater with dark blue horizontal stripes, stands with his arms crossed. He is looking off to the right with a thoughtful expression. The background is a blurred indoor setting with warm lighting and wooden elements.

RESPONSIBILITY FOR THE PERSONNEL

**Together we  
will create  
a sustainable  
working life**

# Responsibility for the personnel

**Our HR vision is: “We want to be an appreciated and developing work community where everyone can learn and experience success”. Employees with a high level of well-being who are committed to development and willing to change are a competitive advantage for us. Reforming competence is one of the key themes of our strategy.**



Elo employs approximately 530 pension insurance specialists. Our professionals include specialists in areas such as pension insurance, risk management, finance, work ability management and investment.

## Plans guide HR activities

An HR plan based on Elo's business strategy is drawn up annually in accordance with the principles of employer-employee cooperation. The plan takes into account competence development needs and anticipates the organisation of work, the necessary resources and the need to support the employees' work ability.

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, discusses personnel-related issues that concern all or the majority of employees. The cooperation forum also monitors the implementation of the aforementioned plans (GRI 403-1).

The cooperation forum convened four times during 2020. Elo's HR management and employee representatives meet regularly, approximately once a month, to discuss topical matters and anticipate future issues. The results of HR work are regularly monitored by the Executive Group and also annually by the Board of Directors.

## Continuous development in personnel survey results

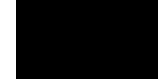
We annually conduct a personnel survey at Elo. In 2020, 89 per cent of Elo employees responded to the personnel survey. The PeoplePower index for the survey as a whole was 73.1, which meant that we were ranked among the Most Inspiring Workplaces in Finland for the second time. Positive development continued for the seventh consecutive year; in 2019, the index was 72.8. In Elo's first survey in early 2014, the index was 61.6.

Elo's strengths highlighted in the survey included employees receiving feedback, the perception that employees are treated fairly and equally, and immediate supervisors giving recognition for good performance.

Areas requiring development highlighted in the survey included confidence in the company's future and developing in the right direction as well as the senior management's ability to guide the company by making the right decisions.

Elo's units and business functions will review the results of their immediate work community and collectively decide on development measures for the next year. The aim is to have the focus areas and selected development themes be reflected as improvements in next year's results. The most significant positive changes seen in the company-level results for 2020 were the perception among employees that their work achieves something beneficial, the fair and equal treatment of employees and the perception that the immediate work community operates efficiently.

**Elo was ranked among the Most Inspiring Workplaces in Finland for the second time.**



### **Maintaining work ability throughout careers**

Elo aims to look after its employees' work ability so that employees of different ages perceive their work as meaningful and retain their work motivation and work ability at a high level throughout their careers.

At Elo, well-being at work and work ability management are comprised of physical and psychological well-being, competence, work and working community. The focus is on taking responsibility. 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 guided by an occupational safety, health and well-being action plan prepared on an annual basis.

## **Elo aims to look after its employees' work ability so that employees of different ages perceive their work as meaningful and retain their work motivation and work ability at a high level throughout their careers.**

The development of well-being at work and occupational safety and health is coordinated by the occupational safety and health committee, which convened four times during 2020. 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)

Each year, the occupational safety and health committee defines 2–3 key areas of occupational safety and health to be focused on. The focus areas are aimed at foresight, i.e. managing pre-defined aspects that

are significant to the efficiency of work in such a way as to prevent the emergence of an occupational safety and health problem. In 2020, the focus of occupational safety and health activities was on the reduction of psychosocial stress factors, the prevention of musculoskeletal disorders and supporting managers in work ability management.

### **Work opportunities for people with reduced work ability**

All Elo employees who are subject to risks related to work ability or have reduced work ability are provided with a personalised multidisciplinary treatment plan and an assessment of how to move forward. Designated occupational health physicians are used for treatment. Elo has 10–15 employees with reduced work ability on average

each year.

We focused on supporting remote work and helping managers identify potential problems in a timely manner. We actively monitor sickness absences and we conducted two remote work surveys and a Coexistence Pulse survey for our personnel during the year.

### **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 work options. Finding out the needs and expectations of people of different ages is part of Elo's performance reviews.

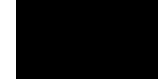
In 2020, the amount of remote work increased dramatically due to the remote work recommendation issued in response to the COVID-19 pandemic, and comparisons with the amount of remote work done in previous years are therefore not relevant. Nearly all Elo employees worked remotely from mid-March until the end of the year. As some duties at Elo cannot be performed remotely, a few functions worked at the office throughout the year of COVID-19. Special attention was paid to the Elo building's cleaning and maintaining safe distances between employees. Other Elo employees were also offered the opportunity to work at the office if they considered it to be a better option than remote work with regard to ergonomics, other aspects of occupational well-being or the productivity of work. In-office work arrangements were subject to separate agreement with the manager.

Under normal circumstances, the forms of remote work at Elo include regular full-time remote work, regular part-time remote work and occasional remote work. In 2020, a total of 18 (23) 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 higher. In 2020, the average retirement age was 63.1 years.

Employees enjoy long careers at Elo. The average duration of employment is 13.4 years. The employee turnover rate was 4.13 per cent in 2020. (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 are compiled annually on the gender, pay, education and age distribution of employees. The results concerning these focus areas reviewed by the cooperation forum and published on Elo's intranet.

multicultural work community, recruitment of young people with special needs, employment of unemployed job-seekers, employment of people with reduced work ability and trial work. The remote work recommendation issued in response to the COVID-19 pandemic made it more difficult to achieve progress in these areas. For example, it was not possible to recruit summer workers representing people for whom finding employment is difficult and who need special support. An accessibility assessment was carried out in 2020. The results are used in the planning and implementation of a project to enhance the working environment.

Elo participated in the Responsible Employer campaign launched in 2020. The campaign began with a survey of Finnish employees' perceptions regarding their employ-

grounds is observed, the matter is addressed as quickly as possible.

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)

## **At Elo, equality is a prerequisite for the diversity of our personnel and governance.**

### **Equality between employees of different ages creates sustainability in working life**

Elo conducted an equality survey in autumn 2018 and the results of the survey have been subsequently put into use in Elo's equality-related efforts in 2019 and 2020. The lowest scores in the survey were given for perceptions concerning remuneration and equality between employees of different ages. To promote the equal treatment of employees of different ages, Elo created the Elonkaari tool that brings together the operating models relating to different life phases in use at Elo under a single umbrella.

Elo's diversity and equality project, which began in 2019, was continued in 2020. The areas covered by the project include impartiality of the recruitment process,

employees' responsibility. Over 4,000 employees representing workplaces of various sizes and industries completed the survey, including 116 employees of Elo. According to the responses from Elo's employees, responsibility at Elo is best realised with respect to meaningful work, the job applicant experience and the flexible treatment of employees in different stages of working life.

### **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

### **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 99.4 per cent of the average pay of men in 2020. With regard to the rest of the personnel, the average pay of women was 74.8 per cent of the average pay of men. (GRI 405-2)



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**We want to be an appreciated and developing work community where everyone can learn and experience success.**

### **The transformation of working life and reforming competence**

The development of the competence of Elo's personnel will play a major role in the years to come. The rapid changes in working life and the digital transformation are inevitably changing the nature of expert work, which requires our employees to have new kinds of skills and competencies.

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 2020, reforming competence focused on bringing competence closer to the daily work by increasing working together and internal mobility and by expanding the forms of learning available. In addition to focusing on expertise relating to the pension insurance industry, we continued to increase technology and analytics competencies throughout our organisation. Individual and collective self-direction are emphasised in expert work, which means that supervisory and managerial work also need to be developed in a more coaching-oriented direction. In late 2019 and early 2020, ten teams representing various parts of the Elo organisation participated in a pilot project on individual and collective self-direction. The project will be expanded to encompass the entire Elo organisation in 2021.

By anticipating competence needs and supporting our personnel in the transformation of business, we ensure Elo's competitiveness in the future. The organisation-wide training plan is discussed and monitored by the cooperation forum annually. Each Elo employee is subject to 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).

HR services hold annual personnel planning discussions with supervisors and senior management. The key themes of these discussions include the competence development of Elo's personnel and the organisation's long-term human resource needs.

The Elossa 2030 programme launched in 2018 continues. 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 Elossa 2030 programme includes a career coaching package aimed at Elo employees who want clarity concerning their own future direction with the help of an external coach. To date, 23 Elo employees have participated in career coaching. The experiences gained from career coaching have been good, and the participants have recommended the training to others at Elo.

Several new courses were added to the proprietary online course portfolio. Everyone at Elo must take online courses on the following topics: Elo's strategy, data security, safety, continuity planning, personal data, Elo's Code of Conduct, Elo's remuneration system Hay, operational risks, responsibility, anti-bribery and anti-corruption and the prevention of money laundering. In addition to online training and webinars, there were approximately 1.0 days of training per Elo employee in 2020. The amount of training decreased due to COVID-19 and nearly all training activities took place online.





### **The exceptional circumstances posed challenges to occupational well-being**

Most of Elo's employees worked remotely from March until the end of the year. The transition to remote work due to COVID-19 was quick and it was also entirely new to some of the personnel. A situation group was established, consisting of supervisors from various units as well as the occupational safety and health delegate and an employee representative. The group met virtually, initially on a daily basis and later as needed. The representatives kept the situation group abreast of what was on the employees' minds and passed on information on policies and decisions to the employees.

Employees and managers received support related to remote work and remote management, especially during the spring. Several webinars were organised for Elo's entire personnel on how to support coping with work and self-management during the exceptional circumstances. A special website, "Remote at Elo", was added to Elo's intranet with links to webinars, blogs and articles on remote work. Employees were also provided with tips related to the ergonomics of remote work and a new break exercise application was deployed at Elo in late 2020.

Several events were organised for supervisors during the year to discuss remote management, supporting employee well-being and recognising the need for early support. Most of Elo's teams met virtually a few times a week to discuss current topics and maintain team spirit.

We conducted two surveys on remote work during the year – one in April and one in September. The results indicate that remote work has gone smoothly for Elo's employees for the most part. The overall score for remote work in the survey conducted in the autumn was 4.29 (on a scale of 1–5), compared to 4.08 in the spring. The score reflecting employee perceptions of remote working days was also slightly higher in the

autumn than in the spring at 4.39 (4.31). Naturally, there was some deviation in the results, indicating that not everyone has a positive opinion about remote work.

The respondents indicated that they have received support from the employer for remote work, with the score being 4.35 in the autumn (4.28). Remote management was also perceived as being successful with a score of 4.2 (4.16). Elo employees' perception of their own work ability improved to 4.4 (4.26). In the autumn, 84% of the respondents indicated they wish to work remotely more than previously once the situation returns to normal. In the spring, the corresponding figure was 71%.

In addition to presenting challenges to Elo's permanent employees, remote work created challenges in the recruitment and induction training of summer workers. Elo hired 25 summer workers and they worked remotely for the most part. An induction training partner was assigned to each summer worker and they provided support to the summer worker throughout the summer. The induction training partner discussed the summer worker's duties, tools, team rules and occupational safety issues with the summer worker and provided or relayed feedback throughout the summer.

The summer of COVID-19 showed that successful induction training is not dependent on being in the same physical location. Remote induction training can also be successful.

In the Responsible Summer Job survey, Elo achieved its best-ever result and improved its ranking in the large employers category from 46 to 4. The overall average score given by our summer workers for their summer job experience was 3.76 (on a scale of 1–4). The scores they awarded in the various categories of the survey were also on par or above the average scores of the participating employers. Elo's recruitment process (3.72) and induction training (3.75) received particularly good scores.

### **Blog 13 July 2020:**

#### **Mutual flexibility in working life is a win-win proposition**

The employer's responsibility is emerging as an increasingly important criterion when employees think about their satisfaction with their employer or when job seekers consider a potential employer. The relative importance of the various aspects of responsibility – including non-discrimination, flexibility, supervisory work, meaningful work, wage equality and sustainable development – differ from one individual to the next, but they must all be at a good level for an employee to want to commit to an employer. [Read more \(in Finnish\) >](#)

### **BLOG 8 October 2020:**

#### **What were the lessons learned from a summer of remote work?**

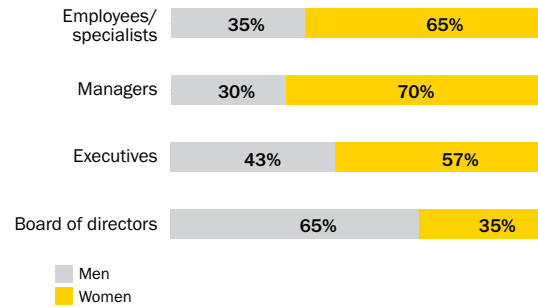
"Of course they're going to cancel!" This is what one of our summer workers heard from friends in March when COVID-19 and the restrictions it brought more or less shut down Finland. At Elo, we decided that we would not cancel! We would not disappoint the 25 young people to whom we had promised to offer summer jobs and the income, experience and learning opportunities they present. [Read more \(in Finnish\) >](#)

# Responsibility for personnel in numbers

Personnel indicators	2020
Average work contribution	490.4
Share of women, %	64.8
Share of men, %	35.2
Full-time employees, of permanent employees, %	90.3
Part-time employees, of permanent employees, %	9.7
Fixed-term employees, %	9.4
Employee turnover, of permanent employees, %	4.6
Number of sickness absences, day/person	4.9
Average retirement age	63.1

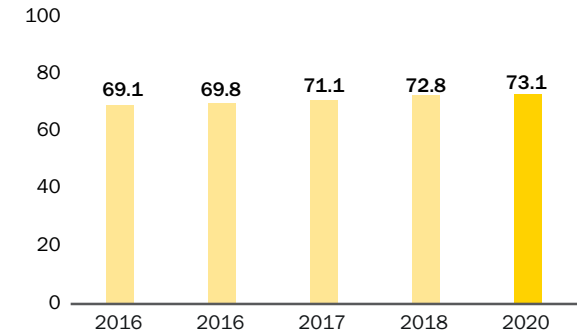
(GRI 403-2) (GRI 401-1b) (GRI 401-1)

## Gender balance by position

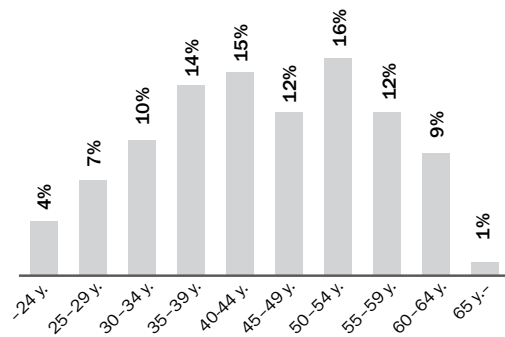


(GRI 405-1a)

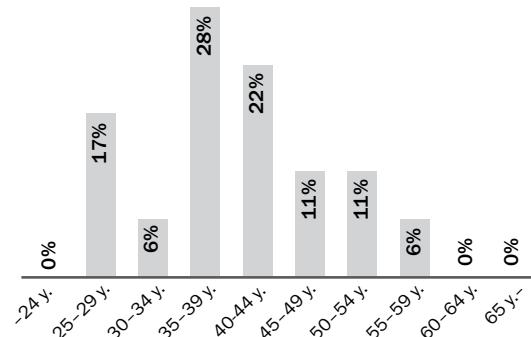
## Workplace wellbeing, development of the PeoplePower index, scale 0-100 (GRI 103-3)



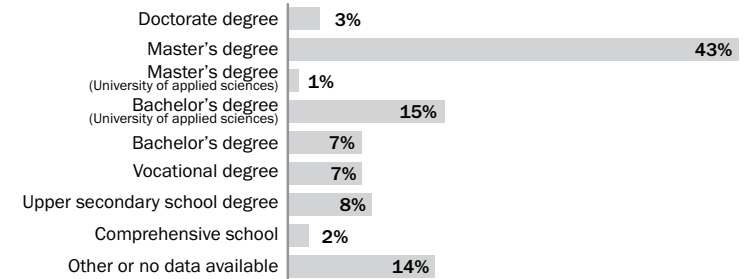
## Age distribution of entire personnel



## 2020 age distribution of recruited people (permanent)



## Education distribution



A close-up photograph of a hand holding a pair of tortoiseshell glasses. The background is a blurred stack of papers, suggesting a professional or academic setting. The lighting is soft and natural, highlighting the texture of the hand and the frames of the glasses.

RESPONSIBLE PRACTISES

# Compliance activities underpin ethical practises

# Compliance promotes good operating methods

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 confirmed 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 was one critical compliance risk in 2020. (GRI102-34) Due to the exceptional financial crisis of spring 2020, Elo's solvency fell below the solvency limit for one day. As a result, the Financial Supervisory Authority appointed a representative for Elo in December. The appointment of the representative is related to the financial crisis and the development of Elo's solvency position during it. Elo's solvency has improved significantly since the spring, both in terms of the solvency ratio and solvency position, and Elo meets the solvency requirements applicable to insurance companies with a clear margin.

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 2020. The compliance officer received questions and requests for clarification on a weekly basis as well as ten reports of minor issues.

## 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 created an online course on the principles. The course was 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 2020. (GRI 205-3)

The anti-corruption guidelines include separate guidelines on sponsorship and joint projects. Elo's partnerships and donations to charity in 2020 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 responsibility programme, which was approved at the end of 2020, also addresses human rights perspectives.

Elo has assessed human rights risks as part of the risk surveys across all functions, and a company-level summary of the risks has been 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. In 2020, the risks caused to Elo's operations by the pandemic were assessed as well.



## Continuous development of data security and data protection

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 information confidential and processing it carefully.

Elo operates in compliance with the Finnish legislation on pension insurance and is part of the Finnish social security system. It is essential for us to protect the data of our customers, employees and other stakeholders, as our key duties require the extensive processing of personal data. Data security plays a significant role in data protection. Obligations pertaining to data security are laid out by legislation and the supervisory authorities, with data protection legislation, pension insurance legislation and the orders and guidelines issued by the Financial Supervisory Authority being the most important of these.

### Continuous development of data protection

Data protection at Elo involves preserving the accuracy and integrity of data, protecting data from unauthorised access and safeguarding the confidentiality of data.

The confidential data processed by Elo can be divided into personal data and business secrets. The protection of personal data and customers' business secrets is extensively governed by various pieces of legislation as well as orders and instructions issued by the authorities. Privacy and the protection of personal data are based on the Finnish constitutional provision according to which everyone's private life is guaranteed and more detailed provisions on the protection of

personal data are laid down in Finnish legislation.

We continuously develop our operations with regard to data protection to enable us to assess data protection risks in advance and avoid them. All of Elo's employees receive training on data protection. We also require our service providers to maintain a high level of data protection, and data protection is part of our standard contractual requirements. To maintain an overall view of Elo's data protection, we have established a separate data protection committee that is led by Elo's Data Protection Officer. The data protection committee prepares company-level data protection policies, guidelines and practices and discusses various incidents related to data protection that occur in the company's various functions.

The development efforts in 2020 also included the drafting of Elo's first data balance sheet. It is, at least for the time being, intended for internal use to support data protection efforts. However, based on the experiences we will gain from it, we will develop it further to enable us to communicate the level of our data protection and data security to our stakeholders in more detail. The data balance sheet helps evaluate the fulfilment of the obligations stipulated by the General Data Protection Regulation and other data protection legislation over the personal data processing life cycle. The

data balance sheet also serves as a tool for monitoring the overall situation as regards data protection as well as the selection and monitoring of development areas.

### **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.

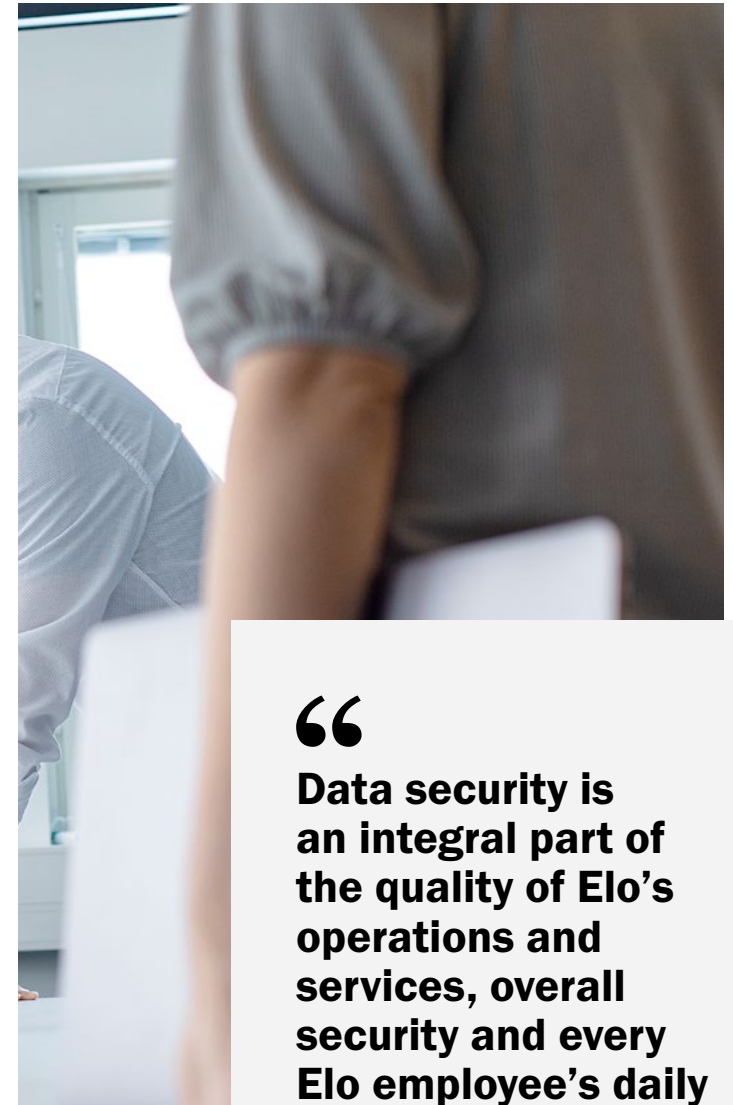
Good management of data security requires continuous monitoring of activities, long-term planning and resourcing, preparation for diverse threats, compliance with the agreed procedures, guidelines, training and communication. Data security is an integral part of the quality of Elo's operations and services, overall security and every Elo employee's daily processing of data.

Data security at Elo is governed by the data security policy approved by the Board of Directors in 2019. We have updated our data security principles and the guidelines derived from them to comply with the revised policy.

Data security is coordinated by the Data Security

Manager working in IT administration, whose work is supported by the data security team and designated data security ambassadors in various functions. 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 2020, Elo focused particularly on data security practices related to remote work. In response to the COVID-19 pandemic, Elo's employees simultaneously switched primarily to remote work. Secure remote work practices were communicated throughout the year via Elo's intranet and by supervisors. In certain functions, processes were also adjusted to reduce risks arising from remote work.



**“  
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# The environmental aspects of Elo's operations

Elo wants to take environmental aspects into account at its offices, in its decision-making and in its operations more extensively and systematically than before.



In spring 2020, we signed a Green Office agreement with WWF Finland to guide and support us in operating in a more environmentally responsible manner. The planning, implementation and reporting of Green Office activities will be part of our annual environmental efforts going forward. We are committed to the Green Office criteria. Even though we are in the early stages of our Green Office journey, environmental considerations have previously been taken into account in decisions concerning our office environments, for example.

We appointed Elo's Green Office team in the spring. The team includes representatives from different parts of the organisation. During the year, we carried out a self-assessment, created an environmental management system and set targets. Going forward, we will measure and report on our progress annually. With the help of the Green Office commitment, we aim to reduce the carbon footprint of our offices, use natural resources efficiently and protect biodiversity. Green Office is also one of the building blocks by which we implement Elo's responsibility programme, which was updated in late 2020 and has environmental sustainability as one of its themes.

## Environmental perspectives were considered in changes to the working environment

In 2020, we continued to implement the working environment project we began in the previous year. The circular economy and low-carbon approaches were taken into account in planning the project. The project is based on the principle of using existing elements and structures as much as possible while also favouring recycled materials and locally produced goods. Energy consumption will be minimised and well-being

maximised at Elo's offices in various ways, including lighting control and ventilation.

We commissioned a Well certification survey in connection with the changes to our working environment. While the certification process did not move ahead during COVID-19, we found that we already fulfil a number of criteria included in the certification and we proceeded with the planning and implementation of several measures related to the working environment project.

## The energy efficiency of Elo's head office

Elo's head office is an office property that was built in 1975 and subsequently renovated. Starting from 2020, the property uses renewable wind energy.

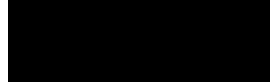
An extensive energy survey was carried out at Elo's head office in the previous year, and related measures were implemented during the year under review. The energy efficiency improvement measures will continue in 2021 and one of the goals for the year is to install solar panels at the property. The environmental impacts of Elo's head office are monitored as part of the key environmental figures of Elo's direct real estate investments in Finland.

# Elo's responsibility indicators

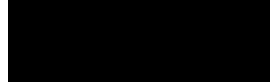
The Global Reporting Initiative's reporting framework has been applied to Elo's Annual and Responsibility Report, where applicable. The responsibility indicators used consist mainly of indicators in accordance with GRI Standards as well as Elo's own indicators. GRI G4 Financial Services Sector Disclosures indicators have in part been 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	5	
	Tax footprint	15	201-1, partly
	Overall return/year	5	
	Development of investment assets: average real return over 10 years	17	
	Expense loading ratio	5	
	Customer bonuses	5	
<b>Essential subjects and management method</b>			
	Essential subjects and their calculation limits	8, 9, 18, 24	103-1
	Description of the management method and its areas	10, 20, 21, 29, 46, 52, 54, 55, 59, 62	103-2
	Assessment of the management method and its efficiency	39, 40, 46, 47, 49, 52, 57	103-3
<b>Corporate governance and responsible operating principles</b>			
	The role of the Board of Directors in sustainability reporting	11, 28	102-32
Compliance	Process of reviewing critical compliance risks (process for managing critical concerns)	59	102-33
	Total number of critical realised compliance risks and their management	59	102-34
Anti-corruption	Businesses whose corruption-related risks have been assessed	59	205-1, partly
	Trainings relating to anti-corruption and anti-bribery procedures, total number and share of employees who have received anti-corruption training	59	205-2, partly
	Confirmed incidents of bribery and related measures	59	205-3
Human rights	Human rights-related training	59	412-2, partly
Data protection	Training on data protection and privacy	60	





Monitored aspect/indicator		Page number in the Annual and Responsibility report	GRI code
<b>Responsibility for personnel</b>			
Personnel	Information about personnel and employees	57	102-8, 405-1 b)
	Number of new recruited employees, average duration of employment and average age of employees	47, 55	401-1
Diversity	Diversity of governance bodies	57	405-1 a)
	Ratio of the basic salary and remuneration of women to men	54	405-2
	Incidents of discrimination and corrective measures	54	406-1
Competence development	Average hours of training per year per employee	55	404-1
	Programmes relating to competence development and change support	55	404-2
	Share of employees covered by regular performance assessments and development discussions	55	404-3
Occupational health and safety	Presentation of employees in formal joint management-worker health and safety committees	52, 53	403-1
	Sickness absences	57	403-2
Personnel survey	PeoplePower index	57	
<b>Responsible investment</b>			
Own operations	Taxation of investments	15	
Follow-up of standards	Screening of non-compliance with standards, % of investments	22	FS11
Responsibility of investments	Fund managers' climate strategies – external fund managers who take climate change into consideration in their investments	36	
	Share of investments with positive impact on environment and society	32	FS7, FS8, partly
	Scope of ESG assessments	21	FS11
	Carbon footprint of investments (Scope 1 & 2)	27, 36	305-1, 305-2, partly
	Carbon intensity (CO <sub>2</sub> e/USD/EUR million)	35,36	305-4, partly
	Weighted average carbon intensity tCO <sub>2</sub> /million USD	35	305-5 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 (%)	22	FS10
	ESG influence on companies	21	FS10
	Voting at the general meetings of investments	23	



	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	46	
	Processing time in preliminary decisions on vocational rehabilitation	49	
	Effectiveness of rehabilitation, % of people available to the labour market at the end of rehabilitation	49	
	Telephone service waiting time	47	
	Share of online services	39, 47	
	Applications processed by the Pension Appeal Board which remained unchanged, i.e. pursuant to Elo's decision	50	
Customer satisfaction	Customer satisfaction surveys CSI and NPS	38, 39, 40, 47	102-44, partly



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