Sustainability Report 2023

Contents

Sustainability at Fennia

The sustainability report describes the corporate responsibility and sustainable business of Fennia Mutual Insurance Company and Fennia Life Insurance Company (hereinafter collectively referred to as "Fennia"). The report is produced for all owner-customers, employees, and partners, as well as other stakeholders interested in Fennia's business.

This report describes the activities and status in 2023. During the review year, the development of the sustainability programme continued, and targets and metrics were defined for the operations. Preparations for the new sustainability reporting regulation have also begun. From 2024 onwards, Fennia will carry out its reporting in accordance with the European Sustainability Reporting Standards under the EU Corporate Sustainability Reporting Directive.

The sustainability report includes a statement of non-financial information (NFI) in accordance with the Accounting Act, including the information required by Article 8 of the Taxonomy Regulation.

The Board of Directors and the managing director of Fennia Mutual Insurance Company are responsible for the report and have approved the information in the report.

Helsinki, 18 June 2024

Mikael Ahlbäck
chair of the Board

Jyrki Mäkynen
vice chair of the Board

Henry Backlund
member of the Board

Johanna Ikäheimo
member of the Board

Juha-Pekka Kallunki
member of the Board

Esko Kivisaari
member of the Board

Anni Ronkainen
member of the Board

Risto Tornivaara
member of the Board

Mika Manninen
Managing Director

General information

The general information describes Fennia's governance system, strategy and business model, the assessment of Fennia's material impacts, risks and opportunities, and the material sustainability matters of the sustainability programme.

Fennia's governance system

In accordance with Fennia Mutual Insurance Company's legal form as a mutual company, the ultimate decision-making power in the company is exercised by the policyholders who are shareholders in the company, i.e. the company's customers. The governing bodies of Fennia Mutual Insurance Company are the Supervisory Board, the Board of Directors and the managing director. The Supervisory Board supervises the governance of the company, which is the responsibility of the Board of Directors and the managing director. The Board of Directors takes care of the management of the company and the proper organisation of its operations and, as the Board of Directors of Fennia Group's parent company, is responsible for ensuring an appropriate system of governance at the Group level and ensures that the Group is managed as a whole.

The governing bodies of Fennia Mutual Insurance Company's wholly owned subsidiary, the Fennia Life Insurance Company, are the Board of Directors and the managing director. Fennia Life Insurance Company's Board of Directors takes care of the administration of the company for which it is responsible, as well as the appropriate organisation of its operations.

Fennia and Fennia Life each have a managing director, who is elected by the respective company's Board of Directors and whose terms and conditions of employment, salary and bonuses are determined by the Board of Directors. The managing directors oversee their company's day-to-day administration in line with the Board of Directors' guidelines and regulations.

Further information on the corporate governance system can be found in Fennia's solvency and financial position report, and in the annual reports and financial statements of the non-life insurance company Fennia and the life insurance company Fennia Life, which are published on Fennia's website.

Internal control at Fennia

At Fennia, internal control refers to all organisational solutions, procedures, processes and standards that aim to achieve reasonable assurance that the set business objectives are achieved and the associated risks are identified and managed. The objective of internal control is to ensure the appropriateness, efficiency and productivity of operations and to ensure the reliability of financial and non-financial information and reporting, as well as compliance with the regulations applicable to the company.

At Fennia, the key components of internal control are the control environment, risk assessment, control measures, information and communication, and monitoring.

Fennia's control environment, or control culture, forms the basis for all other components of internal control. The control culture consists of the attitudes of management and personnel regarding internal control, as well as the management's operating principles and operations. The control environment relies on senior management and the company's personnel and forms the basis for the functioning of the entire internal control system.

The control environment at Fennia consists of five components:

1. commitment to integrity and ethical values, Tone from the top,
2. steering and supervision responsibility of the Supervisory Board and the Board of Directors
3. responsibility of the executive management
4. the competence of the personnel, and
5. the role, power and responsibilities of employees.

The table below describes Fennia's internal control framework:

Fennia's internal control framework

Component of the internal control framework	Key policies
Control environment	1. Fennia is committed to integrity and ethical values. 2. The Board of Directors is independent of the executive management and supervises the development and functioning of internal control. 3. Under the supervision of the Board of Directors, the executive management creates an organisational structure, reporting framework and decision-making powers that support the implementation of the strategy. 4. Fennia demonstrates its commitment to the recruitment, development and retention of skilled personnel in accordance with the objectives. 5. Fennia ensures that the staff implements their internal control responsibilities in order to achieve the objectives.
Risk assessment	6. Fennia's objectives are defined with sufficient precision to identify and assess the risks that threaten them. 7. Fennia identifies the risks that threaten the achievement of the objectives at the level of the entire Group and analyses them in order to decide on control measures. 8. The possibility of risks of misconduct is taken into account when assessing the risks that threaten the achievement of the objectives. 9. Fennia identifies and assesses changes that may have significant effects on the internal control system.

Component of the internal control framework	Key policies
Control measures	10. Fennia selects and develops control measures that contribute to the achievement of the objectives. 11. Fennia selects and develops control measures related to ICT systems. 12. Fennia creates principles, guidelines and codes of conduct that, as a whole, define the target level for expected operations.
Information and communication	13. Fennia acquires, produces and uses relevant, high-quality and timely information that supports the functionality of internal control. 14. Fennia communicates effectively internally, including communication about the objectives and responsibilities of internal control. 15. Fennia communicates with external stakeholders on issues that affect the functioning of internal control.
Monitoring	16. Fennia selects, develops and implements continuous monitoring measures as well as separate evaluations to ensure that the internal control areas are in place and functioning. 17. Fennia assesses internal control deficiencies and communicates them to the parties responsible for corrective measures.

Fennia's risk management

At Fennia, the objective of risk management is to secure the company's financial position, ensure solvency, continuity of operations and reputation, and provide customers with reliable and high-quality services. A key enabler of Fennia's risk management is a good and healthy corporate culture, which creates the prerequisites for high-quality risk management.

Fennia's risk management is based on a three-line model, which defines how the responsibilities and roles related to risks and their control at Fennia are organised. The first line, the owner of the risks, is primarily responsible for their management. The second line, independent of business operations, is responsible for the risk management system, interpretations related to risk management, evaluates the effectiveness of the risk management system and monitors the risk profiles of Fennia and its individual licensed companies. The role of the third line, internal auditing, is to ensure the effectiveness and efficiency of internal control and risk management, regardless of the business.

At Fennia, risk management is implemented through a risk management system. The risk management system is a set of processes, standards and procedures that ensure high-quality and timely risk management. The key tasks of the risk management system are risk identification, capital needs assessment, risk pricing, capital and operational management, as well as risk measurement and reporting.

The first key principle of the risk management system is that Fennia's risks, capital and profit are balanced. This means that Fennia identifies, evaluates and analyses the significant risks affecting the result and other operations, ensuring a sufficient capital position and capital buffers so that Fennia has the ability to perform all the obligations related to its operations.

The second principle is that the company's internal processes, as well as those offered to customers, are safe and of high quality. This means that Fennia's decision-making is based on accurate, sufficient and timely information, and the continuity of operations and rapid recovery from unexpected disruptions is ensured.

The third principle is to ensure the company's strategic and operational agility. This means that the company identifies both external and internal business risk factors in the short, medium and long term, has a good financial capital position, sufficient prerequisites to react to various changes in the business environment, as well as the organisational structure, the professional competence of the staff and flexible processes that allow for the effective implementation of the changes.

Tasks of actuarial functions

The insurance companies' responsible actuaries are in charge of the actuarial operations of their respective insurance company, and they see to it that the actuarial methods applied in pricing and in calculating technical provisions are appropriate. They also set the level of the technical provisions. The actuarial functions' tasks include participating in the implementation of the risk management system, calculating the technical provisions, ensuring the appropriateness of tariffs, assessing the solvency level, reporting that serves the business operations, participating in improving the quality of information and product development.

Fennia's strategy and business model

At the end of 2022, Fennia renewed its strategy. It is evaluated and, if necessary, modified annually, and can be influenced by all personnel. The strategy was last reviewed and updated in 2023.

Strategy

Fennia wants to be the most attractive and responsible actor both in the customer and partner groups it chooses and for employees who share the same value base. To make this vision a reality, Fennia has three goals: Fennia wants to offer increasing significance to its customers, achieve the best insurance expertise in the industry and make profitable and responsible business.

To achieve its goals, Fennia strives, among other things, to stand out among its target customers, invest in strengthening its core competencies, bring responsibility into all areas of its operations and develop its partnerships and processes.

Fennia's values are Fairness, Responsible Courage, Development and Together. The goal is for the values to guide everyday operations, and Fennia will continue to implement them in everyday life in many different ways. The values have been integrated in processes such as performance and development discussions, in a joint orientation package, as well as in supervisor orientation and coaching.

Sustainability is one of Fennia's strategic focus areas. Sustainability measures are targeted at material sustainability matters and those ESG themes that Fennia influences most through its operations, as well as those that affect Fennia's economic development. ESG stands for Environmental (E) and Social (S) as well as Governance (G) matters. During 2023, Fennia's material ESG themes were updated as part of the preparation for sustainability reporting regulation, after which Fennia's first sustainability programme was developed. The sustainability programme defines targets for each material ESG theme. During 2024, more detailed action plans will be drawn up for the implementation of the programme, and more precise indicators for the targets will be defined. The sustainability programme and objectives support the implementation of Fennia's strategy.

Business model

Mutual Insurance Company Fennia is a Finnish insurance company owned by its customers, whose history and values are strongly rooted in entrepreneurship. According to its mission, Fennia exists for business and life.

Of Fennia's companies, Fennia Mutual Insurance Company specialises in non-life insurance, and Fennia Life Insurance Company offers voluntary life, pension and savings insurance. In addition, the Fennia Group includes Fennia-service Ltd, which produces ancillary services closely related to non-life insurance, eFennia Oy, which maintains and develops non-life insurance information systems, Pasilan Portit ky, which offers property rental and management services, and 10 real estate companies.

Fennia Mutual Insurance Company is an expert in insurance and related services, offering companies, entrepreneurs and households the insurance services they need. Fennia Mutual Insurance Company's line of business includes statutory and voluntary non-life insurance and reinsurance. The company engages in direct insurance business primarily in Finland.

Fennia Life Insurance Company specialises in voluntary life, pension and savings insurance. The company offers its customers insurance cover for permanent disability, serious illness and death, voluntary individual and group pension insurance, savings life insurance, and capital redemption contracts. Fennia Life Insurance Company engages in insurance business only in Finland.

Assessment of material impacts, risks and opportunities

In 2023, Fennia examined the material impacts, risks and opportunities related to sustainability as part of its preparation for sustainability reporting regulation. The starting point for sustainability reporting is the concept of double materiality, according to which the materiality of sustainability matters is assessed from two perspectives; (1) Fennia's impacts on the environment and other sustainability matters, as well as on society and personnel, and (2) the financial risks and opportunities related to sustainability matters for Fennia's business and its development. Based on the double materiality assessment, the assessment determined which sustainability aspects are material for Fennia. In addition to its own operations, the assessment covered the value chain with the aim of identifying and evaluating the material impacts, risks and opportunities in the short, medium and long term related to sustainability matters. Fennia's reporting and sustainability programme are based on sustainability aspects that are material for the operations.

Fennia's assessment of double materiality consisted of two parts, conducted in 2022 and 2023. The materiality definition used in 2023 was supplemented in 2023 to more comprehensively take into account the requirements set by the sustainability reporting regulation and the European Sustainability Reporting Standards, including the sustainability aspects of the standards, as well as more specific requirements for the assessment of double materiality, especially in terms of financial materiality.

The 2022 definition included a background study, a preliminary definition of sustainability matters, a stakeholder study consisting of interviews and a stakeholder survey, and the establishment of a prioritised list of material sustainability matters. The stakeholder study collected the views of internal and external stakeholders on Fennia's impact on various sustainability aspects and stakeholders, as well as on Fennia's economic development. In addition to personnel, members of Fennia's Board of Directors and Supervisory Board as well as representatives of cooperation partners participated in the interviews. The survey respondents consisted of personnel, partners, corporate and personal customers, and members of governing bodies. Based on the collected views and analysis, a prioritised list of material sustainability matters was formed in the management workshop.

In 2023, Fennia created an assessment framework and tool to support the assessment of identified impacts, risks and opportunities. The framework and tool were based on Fennia's operational risk management assessment framework, taking into account the requirements set by the European Sustainability Reporting Standards. Financial materiality was also assessed in more detail with the help of the material collected in 2022, Fennia's internal materials and other reported information, internal interviews and work meetings. The impacts, risks and opportunities identified in the evaluation were described, evaluated and scored. The evaluation was largely based on qualitative assessment, but the views of internal and external stakeholders have been taken into account extensively in forming the view.

According to the results of the double materiality assessment, the most important actual or potential impacts, risks and opportunities of Fennia's operations are related to business practices, consumers and end users, own workforce, climate change, as well as the use of resources and the circular economy. The main identified impacts, risks and opportunities are described below in the relevant chapters.

Material themes of Fennia’s sustainability programme

Fennia’s material ESG themes were updated based on the double materiality assessment. The themes form the basis for the sustainability programme and objectives.

Material themes of the sustainability programme

	Main themes of the sustainability programme	Material ESG themes
	**Climate and environment**	Climate change Circular economy
	**Personnel**	Healthy and competent personnel Diversity, equal treatment and equality
	**Fennia for entrepreneurs and owner-customers**	Responsibility of services and products Transparency and equal treatment in insurance practices
	**Corporate culture and governance**	Governance, risk management and regulatory compliance Sustainable procurement and partnerships Responsible investing

The key sustainability aspects of the Climate and Environment main theme are climate change mitigation and adaptation, energy, resource use, circular economy and waste. In its measures, Fennia will take into account, in particular, greenhouse gas (GHG) emissions caused by operations throughout the value chain, risks related to climate change and opportunities to promote the circular economy in business. Climate and environmental work also includes Fennia’s own premises.

Fennia’s personnel are a key stakeholder for Fennia. Material sustainability aspects include working conditions, which include health, physical and mental safety, well-being at work and a balanced working life, as well as equality-related topics such as equal treatment and pay, education and competence development, diversity, and the prevention of harassment and discrimination. Fennia will further develop the management of well-being at work and support the development of personnel competence. Investments are made in the promotion of diversity, equal treatment and equality.

The Fennia for entrepreneurs and owner-customers main theme describes Fennia's social responsibility and value creation through services and products. The most material sustainability matters related to consumers and end users include the impacts related to data sharing and access to data, the protection of privacy, health and safety, as well as non-discrimination and responsible marketing practices. Fennia is charting opportunities to develop products and services to take sustainability matters more into account and will continue to focus on the transparency of the service and ensuring equal treatment in accordance with good insurance practice.

The main theme of Corporate culture and governance describes the factors related to good business practices. Fennia adheres to and promotes a corporate culture in which operations comply with regulation and good insurance practices, and are carried out in a sustainable and responsible manner. In addition to corporate culture, key factors include the functionality of the whistleblowing channel, political interaction and lobbying activities, supplier relationship management, and payment practices. As an operator in the financial sector, it is also particularly important for Fennia to ensure effective processes to prevent corruption and bribery, the shadow economy and money laundering, as well as to comply with sanctions regulation. The measures will focus on the continuous development of the themes, the development of procurement and partnership management, taking into account sustainability aspects, as well as the management of responsible investing, principles and the continuous development of operations.

Environmental information

The environmental information describes the information required by the EU's regulation of sustainable finance, as well as information related to climate change, resource use and the circular economy.

Information required by the EU sustainable finance regulation

The European Union's Taxonomy Regulation (EU/2020/852) is part of the regulatory package for sustainable finance. Fennia falls within the scope of the Regulation and will carry out its reporting in accordance with Article 8 of the Taxonomy Regulation and the Commission Delegated Regulations supplementing it. The objective of the regulation is to create a classification system, or "taxonomy", that is intended to help companies and investors assess whether their economic activities are sustainable from an environmental point of view. The taxonomy defines a set of criteria which can be used to assess the extent to which the company's operations support the achievement of environmental and climate objectives. The reporting forms required by the EU Taxonomy Regulation for environmentally sustainable economic activities can be found in the appendix to the sustainability report.

For 2022, Fennia reported on taxonomy eligibility in non-life insurance and investment activities, and for the first time in 2023, taxonomy alignment will be reported in terms of climate change mitigation and adaptation. In spring 2024, Fennia carried out a project to chart the extent to which Fennia's non-life insurance operations and taxonomy-eligible product groups meet the technical screening criteria defined in the Taxonomy Regulation. Taxonomy alignment requires that all the technical screening criteria set out in point 10.1 of Delegated Regulation (EU/2021/2139) are met for the product being assessed. If one of the criteria is not met, the product cannot be defined as taxonomy-aligned.

The technical screening criteria for substantially contributing to climate change adaptation in non-life insurance and non-life reinsurance relate to (1) climate risk modelling and pricing, (2) product design, (3) innovative insurance coverage solutions, (4) data sharing, and (5) service level in post-disaster situations. In addition, the operation must not significantly harm the other objectives of the taxonomy. In the operations of the insurance company, this is taken into account in connection with the mitigation of climate change. In accordance with the Regulation, the sustainable use and protection of water and marine resources, the transition to a circular economy, the prevention and reduction of environmental pollution, and the protection and restoration of biodiversity and ecosystems are not applicable to the insurance sector under the 'does not significantly harm' criterion. In addition to the above criteria, taxonomy alignment requires that Fennia meets the minimum safeguards requirements in its operations.

As a result of the project, it was found that achieving taxonomy alignment requires Fennia to take development measures for almost all technical screening criteria. The necessary development measures relate to matters such as product pricing and risk modelling, as well as product design and innovation. In the future, Fennia will assess the impact of the disclosure obligations under the Taxonomy Regulation on strategy, business, product development and cooperation with customers and other stakeholders.

For the year 2023, Fennia reported on taxonomy-eligible non-life insurance and non-life reinsurance as gross premiums written, which are related to those non-life insurance activities that have been classified as taxonomy-eligible as so-called enabling activities in the Commission Delegated Regulation 4 supplementing the Taxonomy Regulation. Fennia's insurance cover, excluding general liability, interruption, baggage and legal protection insurance, is considered taxonomy-eligible. Fennia does not offer separate insurance covering only risks related to climate change. However, damage related to climate change is not specifically excluded in non-life insurance. Non-life insurance covers damage related to natural phenomena, such as storms, wildfires and flood damage, regardless of whether climate change has contributed to the damage.

Fennia also reported on the taxonomy-alignment of its investment activities for the first time in 2023. As the regulation is new, the availability and coverage of taxonomy data for companies targeted by Fennia's investments is still relatively low. This is expected to change in the coming years as the regulation expands and taxonomy-alignment is reported by an increasing number of operators within the scope of taxonomy reporting. For the time being, Fennia does not use the taxonomy data of the investee companies in its investment decisions, as the investee companies' reporting is still new and the coverage of the reporting is expected to improve in the future.

The table in the appendix to the sustainability report includes the investments of Fennia Mutual Insurance Company and Fennia Life Insurance Company, including the assets covering the technical provisions of the investment insurance offered by Fennia Life Insurance Company. The figures are based on information reported by the investee companies and thus do not include estimates. The companies' taxonomy data has been obtained from an external service provider and, in the case of unit-linked insurance assets, from management companies.

For assets related to unit-linked insurance in particular, there are gaps in the information to be reported, which affects the figures presented. It has not been possible to itemise the assets of unit-linked insurance according to the categories of the denominator or numerator of the key performance indicator, which is why in both breakdowns unit-linked assets have been allocated to "Exposures to other counterparties and assets". Not all funds report information related to taxonomy-alignment or eligibility, which affects the information to be reported. In particular, taxonomy eligibility reporting is weak at the fund level, which is why, in the absence of taxonomy eligibility information, eligibility is assumed to be equal to the taxonomy-alignment reported by the fund. Reporting data related to unit-linked insurance assets on the basis of nuclear and fossil gas activities was not possible due to incomplete data. For this reason, Fennia does not report tables of activities related to nuclear power and fossil gases in terms of its investment activities.

Minimum safeguards

According to the Taxonomy Regulation, the fulfilment of certain minimum safeguards is a prerequisite for the taxonomy alignment of non-life insurance activities. Meeting the minimum safeguard requirements requires that the company has processes in place to ensure that the OECD Guidelines for Multinational Enterprises on responsible business and the UN Guiding Principles on Business and Human Rights are implemented in operations.

In late 2023 and early 2024, Fennia carried out an internal assessment of compliance with the minimum safeguard requirements. The assessment covered the minimum safeguards required by Articles 3 and 18 of the Taxonomy Regulation with regard to respect for human rights, tax corruption and fair competition.

Although Fennia has not made any observations about non-compliance with the minimum safeguard requirements, Fennia lacks adequate internal policies and processes to verify compliance with the requirements. As a result of the internal evaluation carried out, Fennia aims to ensure during 2024 that it will have effective processes in the future to ensure compliance with minimum safeguard requirements.

Climate change

In relation to the climate, Fennia has a particular focus on two aspects; greenhouse gas (GHG) emissions caused by operations and risks related to climate change. The most notable GHG emissions caused by Fennia's operations are indirect emissions from investment activities and the non-life insurance business.

Risks related to climate change are also central to the insurance company's operations. Fennia considers impacts and risks in its products, services and investment activities. Fennia continuously strives to improve its understanding of the climate impacts of its operations.

GHG emissions in own operations and value chain

Fennia carried out the first emission calculation for 2023, covering GHG emissions in its own operations and value chain. For Fennia, the 2023 emission calculation is an important step, as it can be used to support the planning of future climate actions. The calculation also resulted in the identification of opportunities to develop the accuracy of the data to be used in the future calculations. GHG emissions are reviewed in three categories:

1. direct GHG emissions (Scope 1) resulting from the use of emission sources owned or controlled by the company, such as equipment and machinery,
2. indirect GHG emissions from energy (Scope 2), and
3. other indirect GHG emissions (Scope 3), which consist of those activities that are not owned or controlled by the company. For these indirect emissions, Fennia defined the emission sources relevant to its operations.

The calculation methods take into account the principles of the "GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting" standard. For indirect Scope 3 emissions, the 15 Scope 3 categories of the "GHG Protocol Corporate" standard have been used as a basis. For category 15 (Investments), the calculation takes into account the Partnership for Carbon Accounting Financials (PCAF) standard "GHG Accounting and Reporting Standard for the Financial Industry", part A "Financed Emissions".

Regarding GHG emissions, three significant areas were identified. The first area is the company's own functions, the second is insurance and claims services, and the third area consists of investment activities. The company's own operations include direct Scope 1 emissions, which at Fennia consist of cars owned by the company, and indirect Scope 2 emissions, which consist of Fennia's electricity and energy consumption. Indirect Scope 3 emissions, which consist of procurements and purchased services, waste generated in operations, business-related travel, employee commuting, and the operation of sales distribution channels, are also included in the company's own operations.

Emissions calculated from insurance and claims services comprise Scope 3 category 11, which covers the use of sold products. These emissions are generated when insured assets are replaced or repaired through claims services. The emissions of the insured assets have not been taken into account in the category. The third component is investment activities, which comprise category 15 of indirect Scope 3 emissions. Only non-investment-linked assets are included in the calculation of the emissions of investment activities, in which case the assets covering the technical provisions of the unit-linked insurance offered by Fennia Life are excluded from the calculation of emissions. The Kyllikinportti head office building has been excluded from the calculation of emissions for investment activities in accordance with the PCAF standard and has been taken into account in the calculation of emissions from the company's own activities.

The total GHG emissions in 2023 were 709,761 tCO2e. The largest sources of emissions are emissions within the Scope 3 emissions of investments; up to 81% of emissions are caused by Scope 3 emissions due to investment activities. In total, the emissions from investment activities account for more than 90% of Fennia's emissions. The second most emissions come from claims services and the least from own operations.

GHG emissions by category, 2023

Category	**tCO_2e**	**Size (%)**
Own operations	2 774	0,4 %
Insurance and claims services	65 294	9,2 %
Investment activities (Scope 1 & 2)	63 756	9,0 %
Investment activities (Scope 3)	577 937	81,4 %
All	709 761	100,0 %

Emissions from relevant operations, as well as emission sources from Scope 3 categories significant for Fennia are described in the table below. Scope 3 categories other than those mentioned in the table are not significant to Fennia, as Fennia does not manufacture or transport physical products.

Fennia's GHG emissions, 2023

Scopes and categories	Year 2023 (tCO_2e)
Scope 1 GHG emissions	
Gross Scope 1 gross GHG emissions	92
Scope 2 GHG emissions	
Gross location-based Scope 2 GHG emissions	30,2
Gross market-based Scope 2 GHG emissions	3,4
Significant Scope 3 GHG emissions	
1 Purchased goods and services	1520
5 Waste generated in operations	4
6 Business traveling	561
7 Employee commuting	277
11 Use of sold products	65 294
14 Franchises	287
15 Investments	
Scope 1 & 2	63 756
Scope 3	577 937
Total GHG emissions	
Total GHG emissions (Scope 1, 2 & 3)	709 761

The climate has been identified as a material area of sustainability for Fennia, and this is also reflected in the sustainability work of investment operations. Since 2022, Fennia has charted the GHG emissions of liquid corporate bond and equity investments quarterly in Scope 1, 2 and 3 emissions, both as such and in relation to the amount invested (carbon footprint), the turnover of companies (carbon intensity) and in relation to the market. In 2023, Fennia set itself the target of being below the market level in terms of its GHG emissions from corporate loan and equity investments. The market's GHG emissions are assessed with the help of extensive equity and corporate loan indices, and comparisons with the market help to differentiate between the results of Fennia's sustainability work and the overall development of the market. So far, the GHG emissions targets have been limited to Scope 1 and 2 emissions, as well as corporate bond and equity investments, where data is more established and widely available.

Sustainability and GHG emissions are taken into account in Fennia's corporate loan and equity investments through various exclusion and weighting measures, such as funds tracking ESG indices. More detailed information on taking sustainability into account in investment activities is described in the chapter Responsible investing and the provision of investment insurance. In 2023, Fennia began taking Scope 1 and 2 emissions into account in new investment decisions in its self-managed portfolios. Prior to the investment decision, the emissions of the new potential investment and changes to the GHG emissions of the entire investment portfolio will be charted. Changes in relation to the market are also taken into account in decision-making. This will strengthen the proactivity of Fennia's sustainability work and the achievement of the emissions target.

In 2023, the emissions calculation was extended to Fennia's illiquid investments, and emissions from real estate investments and customer financing were charted more extensively for the first time. Emissions of the most significant direct real estate investments have previously been monitored, and sustainability work to improve energy efficiency and reduce emissions has already come a long way. In 2023, these real estate investments continued to use zero-emission electric power, which meant that the emissions of energy use consisted only of heat energy emissions. Energy efficiency was improved by intensifying the monitoring of energy consumption and the search for savings potential, which also helped to cut energy consumption in 2023.

GHG emissions from investments, 2023

	2023	Coverage
Listed equity investments		
Weighted carbon intensity (tCO_2e/EUR 1 million turnover, WACI, Scope 1 & 2)	152	100 %
Carbon footprint (tCO_2e/EUR 1 million invested, Scope 1 & 2)	73	85 %
Financed emissions (tCO_2e, Scope 1 & 2)	22 275	85 %
Financed emissions (tCO_2e, Scope 3)	167 304	85 %
Corporate bond investments		
Weighted carbon intensity (tCO_2e/EUR 1 million turnover, WACI, Scope 1 & 2)	99	73 %
Carbon footprint (tCO_2e/EUR 1 million invested, Scope 1 & 2)	51	67 %
Financed emissions (tCO_2e, Scope 1 & 2)	38 473	67 %
Financed emissions (tCO_2e, Scope 3)	410 284	67 %
Total liquid investment assets		
Weighted carbon intensity (tCO_2e/EUR 1 million turnover, WACI, Scope 1 & 2)	115	79 %
Carbon footprint (tCO_2e/EUR 1 million invested, Scope 1 & 2)	58	71 %
Financed emissions (tCO_2e, Scope 1 & 2)	60 748	71 %
Financed emissions (tCO_2e, Scope 3)	577 588	71 %
Real estate		
Energy use emissions (tCO_2e)	2 962	41 %

For liquid investment assets, emissions data has been collected from an external service provider, and the figures include the latest data reported by companies on their GHG emissions, as well as company-specific estimates estimated by an external service provider. Not all companies report their emissions yet, which is also reflected in Fennia's emissions calculation as incomplete data and varying coverage. With the expansion of sustainability reporting regulation, it is expected that companies will report their emissions increasingly comprehensively, and the emissions calculation of Fennia's investment assets will also become more detailed.

Financed emissions have been calculated in accordance with the PCAF standard using all the latest available data on investments. For the time being, government bond investments and private equity funds are not included in the emissions calculation due to the lack of emission data. Unlike the PCAF standard, in addition to equity investments, corporate bond investments have also utilised the market value of investments instead of the nominal value of the loan. This is justified, as a significant part of Fennia's corporate loan investments are purchased on the secondary market.

Financed emissions indicate the total amount of emissions financed with Fennia's investment funds. The amount of financed emissions is affected by the emissions of the investee companies and the share of Fennia's investments in the value of those companies (EVIC), as well as the total amount of funds invested. The carbon footprint, where financed emissions are proportional to the millions of euros invested, makes emission figures more comparable. The carbon footprint can be used to examine the amount of emissions financed with one million euros invested by Fennia. Scope 3 emissions have also been taken into account in the calculation, although their reporting still varies for companies and there is a lot of uncertainty in the figures. In the Weighted Average Carbon Intensity (WACI), companies' emissions are proportional to their turnover, and the figures have been calculated as a weighted average based on the market values of Fennia's investments. The figure shows how carbon-intensive companies Fennia has invested in on average.

Fennia specifically monitors carbon footprint and carbon intensity figures based on Scope 1 and 2 emissions at the portfolio level when monitoring the development of emissions. Fennia aims for lower emissions than the market measured by these figures in a hedging portfolio that includes high-quality corporate loans and a portfolio that includes a wide range of corporate loans and equity investments. In 2023, these targets were achieved with Scope 1 and Scope 2 emissions in both portfolios at a lower level than the corresponding benchmark index.

Only emissions from energy use, i.e. emissions from purchased electricity and heat, have been included in the emissions of properties. The emission calculation of real estate investments has been carried out in accordance with the PCAF standard, taking into account only properties that serve as investment assets. In co-owned properties and real estate funds, real estate emissions are allocated in accordance with Fennia's stake.

Risks related to climate change

Climate risks in investment activities

Climate change brings with it various risks for companies, states and the economy as a whole. If realised, these risks will also have an impact on the returns and value of Fennia's investment assets, which is why, in 2023, Fennia began to chart climate change risks more extensively and model their effects on investment assets in different ways. Fennia models the development of returns on investment assets and the maximum loss (VaR) in three different climate scenarios, where both the physical risks of climate change and the transition risks arising from the transition to a low-carbon economy are taken into account. In addition, the share of assets invested in sectors at risk of transition is charted on a quarterly basis. The level of physical risks for the most significant direct real estate investments is regularly charted. So far, climate risks have been modelled and charted at a more detailed level only for non-investment-linked assets, where Fennia bears the risk. Assets covering the technical provisions of unit-linked insurances offered by Fennia Life are excluded from this review.

Energy-intensive, fossil fuels, transport, agriculture, building and power plant industries have been identified as vulnerable to transition risks. Assets located in such industries account for 37% of Fennia's investment assets. The share of liquid equity investments is 48% and of corporate bond investments 27%. Fennia's real estate investments are located in Finland, and risks related to temperature, rain and floods were identified for the most significant direct real estate holdings. No significant physical risks were identified. All risks are at most moderate. An action plan has been prepared for the properties to minimise the identified risks.

Fennia examines investment assets using three different climate scenarios, both in the short term of 10 years and in the long term of 30–80 years. The three climate scenarios are based on the climate scenarios of the Network for Greening the Financial System (NGFS) and include a scenario for the continuation of existing climate measures (Current Policies), the achievement of the net-zero target for carbon emissions by 2050 (Net Zero 2050) and a scenario where climate policies are not consistent (Divergent Net Zero). The physical risks and migration risks brought about by climate change are presented in different ways in different scenarios. Physical risks will materialise only in the long term, as climate change progresses, and even in such scenarios, the economic impacts will be visible only in the long term. The transition to a low-carbon economy entails transition risks, where the level of the carbon tax guides investments, energy prices and consumption. Depending on the scenario, the transition to a low-carbon economy will already begin in the short term, while the economic impacts will also materialise in these scenarios in the short term.

In all modelled climate scenarios, the physical risks and transition risks of climate change have a negative impact on Fennia's balance sheet returns and risks in the short term. With the continuation of the current climate measures (Current Policies), the transition risks realised in the short term are low and the physical risks realised in the long term are not yet observable in the 10-year review period, which is why the real returns of the balance sheet in this climate scenario are the highest and the maximum loss (VaR) the lowest in the short term. In the long run, the returns and risks on the balance sheet are assumed to be in line with the general development of the market. In the long run, when physical risks are realised and the costs of transition risks have already passed, the returns are lower than in the transition scenarios with the current climate measures.

In the short term, the transition scenarios will distinguish between sectors that would be significantly affected by the transition to a low-carbon economy. Such sectors include, in particular, mining and the oil and gas sector, which account for a very small share of Fennia's investment assets.

Fennia identifies climate risks to investment assets, but the risks are estimated to be reasonable, and they are not considered to endanger Fennia's solvency and ability to continue to meet the set liabilities in the future. The sustainability work of Fennia's investment operations also helps in mitigating the identified climate risks. Fennia's investments have been targeted at companies that take sustainability into account in their operations and are therefore better prepared for the transition to a low-carbon economy. In direct investments, for example, on the basis of revenue from coal, the exclusion also mitigates the climate risk to Fennia's investments, as the strongest transition risk is directed at the fossil energy sectors in the transition to a low-carbon economy. As real estate is a sector prone to transition risks, Fennia's sustainability work in real estate investments also has a mitigating effect on climate risks. The sustainability work of Fennia's investments is described in more detail in the chapter Responsible investing and the provision of investment insurance.

Climate risks in insurance

In property insurance, storms are currently the most significant risk caused by natural phenomena. In Europe, storm damage is expected to increase in the future. However, there is uncertainty about the real impact of climate change on storms, especially in Northern Europe. From the perspective of climate change, floods are the most pronounced risk in property insurance. The consequences of the flooding of waterways, stormwater systems and coastal areas are expected to worsen as floods in Europe become more severe and numerous. The increase in rainfall is likely to be visible in Finland, especially during the winter season. The risk of forest fires has been highlighted especially in southern Europe and the Mediterranean, but not much in the Nordic countries. There are uncertainties related to the increase in the likelihood of hail, but there is already an increase in the size of hailstones, and this trend is expected to continue.

On the personal insurance side, especially the elderly and the chronically ill are vulnerable to serious health hazards caused by high temperatures. The impact of vector-borne infectious diseases in Finland is not material. Humidity damage in buildings and the resulting indoor air problems are associated with an increased risk of respiratory symptoms. Some bacteria and viruses multiply with mild winters and increased precipitation. Due to climate change, slippery weather days are likely to become more common in a large part of Finland, as the temperature fluctuates more often on either side of zero. This increases the number of slipping accidents that occur in abundance every year. Extreme weather phenomena can also cause personal injury and increase traffic accidents. Climate change also affects people's well-being and mental health. The risk of mental health problems has increased sharply in recent decades.

For motor vehicle insurance, when average temperatures rise, the probability of hail can be expected to increase and cause hail damage. As fully electric and hybrid vehicle stocks grow and internal combustion engine cars also become more reliant on electric systems, control units are more prone to being damaged by lightning-related overvoltage. The likelihood of vehicle damage due to storms increases as storm probabilities increase. The development of flood risks in Finland can be assumed to be limited when it comes to vehicle damage. Variation in normal weather conditions can be considered the most significant risk affecting vehicle damage. In particular, frequently changing winter weather conditions with icy road surfaces and heavy snowfall can even cause extensive occurrences of damage in a short period of time over a wide area.

Challenges related to climate change may arise in the procurement of outgoing reinsurance. In general, the prices of reinsurance capacity have been affected in recent years by natural disasters, the Covid pandemic and inflation. There are still no clearly visible signs of the effects of climate change in the development of major losses. The risk of major losses is estimated to increase in the future in terms of floods, heavy rains, hail and forest fires. The expected increase in risk level due to climate change is to be taken into account in the scope of the annually procured reinsurance capacity.

Risks related to climate change are taken into account in the life insurance business during the product development phase, and calculation assumptions are also regularly reviewed. For example, global warming and increased air pollution can, in the long run, lead to higher rates of illness, incapacity to work and mortality. On the other hand, as cold periods decrease, changes in temperature in Finland can also reduce mortality. The effects may also be indirect. For example, the weakening of a customer company's business conditions as a result of global warming may lead to a decrease in insurance premiums written.

The impacts of climate change on companies' liabilities are also assessed using climate change scenarios. For the insurance business, the review has focused on two scenarios where the climate warms by less than two degrees Celsius in one and more than two degrees Celsius in the other. The review has been carried out separately in the short (0–15 years) and medium term (15–50 years). The available analyses currently highlight only a small impact on the insurance business.

Resource use and circular economy

At Fennia, the circular economy is material primarily in terms of claims services, product development and Fennia's premises. Fennia influences the use of resources and the circular economy especially through its insurance and claims service businesses. Claims activities have a significant impact on how assets and consumer goods are handled and how long their service life ends up being. Taking the circular economy into account and observing emerging trends is important for Fennia, and it also involves risks, such as competitive markets, possible cost impacts, as well as customers' price flexibility and readiness to promote the circular economy. Circular economy trends may also have an impact on insurance objects. However, Fennia has significant opportunities to reduce the negative environmental impacts of claims handling and to also promote the circular economy in the future through product development.

As part of the use of resources and the circular economy, Fennia also takes into account the promotion of recycling and the improvement of waste management in its premises and property investments. The principles of the circular economy are applied in Fennia's properties by minimising the amount of waste generated by the operations and sorting. Fennia pays particular attention to the property management and waste management of real estate investments, and utilises recycled and reused materials in its operations.

Waste management and waste reduction

Fennia takes the circular economy into account in the waste sorting of its offices and the recycling and relocation of furniture and equipment. In the Fennia-owned Pasila head office property, waste sorting was enhanced during 2023 in cooperation with the cleaning service and waste management. In the project, the waste room of the property was rearranged, and business-scale plastic waste was added to the sorted waste types. In addition, the waste sorting signs were updated for all waste recycling facilities, and the office break room sorting was updated to match the fractions collected in the waste room. A new waste management plan was also created for the property. In addition, the amount of mixed waste has been reduced at Fennia's offices through measures such as concentrating waste sorting points in office premises and removing workplace-specific mixed waste bins.

During 2023, Fennia also carried out cleaning events in its larger offices, whereby additional material and goods from office premises were recycled through the cooperation partner Remeo. Remeo has been selected as a partner based on the highest recycling rate in the industry. The materials are processed in a recycling plant that efficiently sorts and refines the materials into secondary raw materials for industry and construction. Additional office furniture has also been provided to Fennia's staff to support remote work, and furniture has also been sold through a partner for reuse.

Promoting the circular economy in business

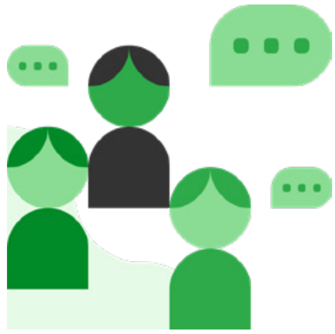
Fennia takes the circular economy into account in its business, especially in claims services. Fennia recognises the importance of partners in promoting the circular economy and encourages its partners to work for the promotion of the circular economy. Claims services have mapped the promotion of the circular economy from the point of view of resource use. In 2024, Fennia will map the current state of operations from the perspective of the circular economy and factors such as the availability of data. Fennia promotes the implementation of the principles of the circular economy in its business operations, in addition to claims services, also in product development.

When repairing vehicles, the primary recommendation is to repair damaged parts and secondarily to replace them with used components. Using a new component is a last resort. The ratio of repairs and reused components in repair activities is actively monitored both internally and together with the repair partners. Fennia is exploring the possibility of increasing the use of reused components by changing the operating methods related to redemption and realisation. Other types of losses are also being investigated to promote the increased use of reused components.

Social information

The chapter on social information describes information related to the company's own workforce, i.e. personnel, as well as consumers and end users, with Fennia's customers as the core focus. The main themes of Fennia's sustainability programme are Personnel and Fennia for entrepreneurs and owner-customers.

Personnel



Fennia's personnel are one of the company's most important stakeholders. Fennia identifies risks related to its own workforce, for example, in the increasing competition in the employee market for skilled labour, as well as in the increased mobility of employees. Increasing turnover also causes financial impacts for Fennia through recruitment costs and training costs, among others.

Fennia identifies impacts and opportunities related to the promotion of diversity, equal treatment, and equality, but also risks if the promotion of the themes fails. Equal treatment of personnel in the provision of career opportunities, recruitment and remuneration practices supports well-being at work and the career development of personnel. Fennia prevents discrimination and inappropriate treatment in its operations and seeks to identify internal structures that perpetuate inequality. Risks of failure in promoting themes include reduced job satisfaction and well-being, as well as failure to select the most suitable experts for key positions. Possible risks also include the weakening of the employer image and competitiveness, as well as reputational risks.

Fennia identifies the continuous development of personnel skills as a significant positive impact and opportunity. Equal opportunities to develop skills and competencies not only promote Fennia's actions towards business goals, but also employee job satisfaction and long-term employment. The competence needs of the personnel are constantly developing, and Fennia supports the adaptation of the personnel to the development of technology and the introduction of new tools, while also providing tools for the development and maintenance of mental well-being. Occupational well-being is also facilitated by the management of work and work ability, which Fennia invests in. Effective management practices and flexible consideration of different life situations can have a positive impact not only on operational activities, but also on working conditions, such as occupational safety, functional ability, working time management and work organisation, as well as the implementation of a balanced working life.

Healthy and competent personnel

The theme of a healthy Fennia employee has been at the heart of work ability management at Fennia for several years now. Well-being is a concept that consists of meaningful work, good management and a safe working environment and working conditions. Competence development is also of great importance for well-being at work. At Fennia, well-being at work is discussed extensively; it is based on a person's physical, mental and social functional capacity and health. In the autumn of 2023, Fennia launched an occupational health reform project with the aim of further developing the smoothness, efficiency and quality of occupational health services.

In the management of well-being at work, Fennia pays special attention to good management, promoting the smoothness of work and supporting the ability to work at different career stages. In particular, mental well-being and psychosocial stress factors are taken into account in work. Fennia flexibly uses different forms of working hours and work modification in situations such as in connection with returning to work from a long sick leave.

Fennia offers employees low-threshold mental well-being services and the opportunity to take advantage of the services of an occupational psychologist during working hours. Through occupational health care, the staff can take advantage of the Mielen huoli helpline as well as short-term therapy. Fennia also cooperates with Auntie. Auntie offers a mental well-being service that helps to cope with everyday challenges before they deteriorate into crises. In 2023, 55 Auntie welfare packages were used at Fennia.

Employees have the opportunity to influence the development of their own work and working environment through initiative activities. In 2023, 53 initiatives proposed by staff were discussed at Fennia.

Fennia's management practices

Fennia strives to ensure good leadership through orientation training and continuous coaching of supervisors. Supervisor orientation was organised twice in 2023. The orientation course consists of five modules, which discuss matters such as the responsibilities of supervisors in relation to employment relationships, coaching management, and management of well-being at work.

A training course for the development of skills for data- and information-based management was started with supervisors in 2023. Work continued with competence development planning for the entire staff, and concrete results are expected during 2024. Supervisors were also trained in the principles of good business practice, recruitment coaching and training on the themes of well-being at work.

Development of competence

One of Fennia's strategic goals is to achieve the best insurance expertise in the industry, and professional expertise also has a strong link to well-being at work. The achievement of the goal is supported by the development of the personnel's competence and a comprehensive range of training courses. During 2023, Fennia organised a total of about 200 coaching sessions and information sessions for personnel. The coaching emphasised the development of business competence, competence regarding statutory requirements, system competence, customer experience, equal treatment, sustainability perspectives and competence in data and information management. Fennia also launched an online course package regarding insurance business expertise for all personnel. In addition, during the year, two "Omaa työelämää rakentamassa" ("Building my working life") training courses were implemented, which were piloted already in 2022. The aim of the coaching is to provide readiness to keep up with the ever-changing employment world and encourage employees to progress towards their goals. The training also provides tools and means to identify one's own strengths and to define one's own competence.

Fennia is currently undergoing an extensive system reform that will introduce a new insurance system. During 2023, competence development was started for employees, making them the first to adopt the new technology. The plans for competence development along with the system change progressed towards the end of the year when the reference framework and the upper-level plan for the implementation of training for personnel during 2024 were completed. In addition, a training network was named for people working in business, with the task of supporting everyday life in the form of training in their own operations.

Fennia also employs a network of support specialists that supports the implementation of key operating methods and system reforms. The support specialists work to support the personnel with the use of various applications, systems, and digital tools. In 2023, there were about 30 support specialists.

Personnel experience and meaningfulness of work

Fennia conducts annual surveys and surveys to measure personnel experience and identify areas for development. In 2023, Fennia continued to use the Pulse survey as one way of measuring personnel experience. The survey was conducted twice during the year and the response rate ranged from 53% to 56%. The survey acts as a channel for staff to present their ideas anonymously. The survey measured, among other things, how employees perceive their work tasks and well-being at work, how familiar employees are with the strategy and how likely the employees would recommend Fennia as an employer. The results of the Pulse survey are processed in management teams and serve as a management tool for the management of the functions. Based on the results, content for various personnel events or coaching events are also planned.

In addition to the Pulse surveys, Fennia carried out an annual personnel survey that examined the meaningfulness of work. In the spring of 2023, the first part of the two-stage personnel survey was carried out, with a response rate of 79% of the personnel. In the study, employees selected the five most relevant statements related to a good workplace for themselves, for which an assessment and open feedback were given. Based on the surveys, the five most relevant things were:

1. Meaningful work tasks
2. Freedom to work independent of time and place
3. Work-life balance
4. Fair pay and fringe benefits
5. Fair and capable supervisor

In the autumn of 2023, the second part of the personnel survey was carried out, in which the development of the five most significant things compared to the spring was assessed in particular. Respondents were asked to assess whether their experience with relevant issues had improved, deteriorated or remained the same. No significant changes were observed compared to the spring survey. Based on the analysis of the personnel survey, the key successes are related to the local workplace community, such as colleagues, meaningful work tasks and atmosphere. Close supervisor work and the flexibility of remote work and on-site work were also listed as successes. The main challenges or the most common questions were related to the workload, salary and remuneration, as well as management and decision-making.

The Fennia Liekki Index is an average of how well the five most meaningful things are implemented in the workplace. The index represents the average on a scale of 0–100. The average of the Fennia Liekki Index was 73 (71 in 2022). The average is considered to be at an acceptable level. A score above 80 is considered a good score and a score below 70 is considered a poor score.

The results of the personnel survey are discussed and worked on together, measures are monitored and good practices are shared at the level of locations, units and teams. The aim is to increase understanding of the current situation and to identify and implement measures that would enable employees to implement matters that are important to them and possible in their work.

During the first half of 2023, a joint value discussion was carried out at Fennia for all staff. In the value discussion, the implementation of Fennia's values was assessed through three statements, and the staff had the opportunity to discuss and comment on the values. The staff assessed the implementation of the values on the basis of the discussion on a scale from 1 to 5 as follows:

- Fair-minded 4.1
- Developing 4
- Co-operation 3.9
- Responsibly courageous 3.6

Diversity, equal treatment and equality

The realisation of diversity, equal treatment and equality are important themes for Fennia's work culture and its development. One of the goals is to identify and eliminate structures that perpetuate inequality and to increase practices that promote diversity, equal treatment and equality. Fennia strives to build a psychologically safe, fair and diversity-friendly corporate culture, to which different people from different backgrounds feel welcome.

Equal treatment and non-discrimination as part of the personnel development plan

In 2023, Fennia carried out a survey related to equal treatment and diversity, in which it charted measures to promote equal treatment and diversity that are important to employees. During the year, the staff was also offered coaching and an experience lecture regarding the themes of sexual orientation and gender diversity in working life. The lectures and planned development measures are the first steps towards building a more diverse Fennia.

Remuneration

At Fennia, the starting point for remuneration is to provide remuneration that is motivating, fair and in line with Fennia's short- and long-term interests. The remuneration system's planning also ensures that the system promotes good governance. In addition to quantitative targets, criteria related to matters such as management and personnel well-being can be taken into account in the remuneration. Remuneration also takes qualitative elements into account and matters such as customer satisfaction can have an impact on remuneration. Any action that violates the regulatory obligations, principles or guidelines or the ethical code of conduct is excluded from remuneration.

Equal treatment and diversity in recruitment

Equal treatment and diversity are the most important principles that serve as the basis for the development of Fennia's recruitment process. Recruitment is based on competency-based recruitment. The recruitment process does not ask candidates their age, gender, or other characteristics that are not relevant to the position they are applying for. This is emphasised in job advertisements with an equal treatment clause. It is important to Fennia that all applicants are treated equally.

Fennia strives to increasingly take sustainability aspects into account at different stages of the recruitment process, such as job advertisements, interviews, selections, applicant communications and the processing of personal data. Recruiting managers are trained and coached in areas of expertise such as equality and inclusion.

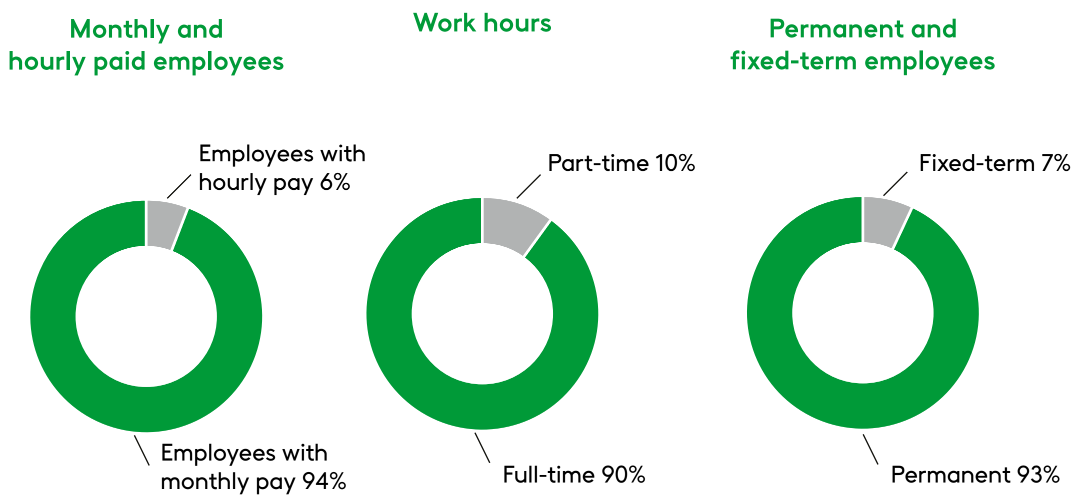
Personnel key figures

The personnel key figures describe the number and structure of Fennia's personnel. The figures include data from both Fennia and Fennia Life. At the end of 2023, Fennia employed a total of 1,098 people (1,005 in 2022).

In 2023, Fennia hired 123 people on a permanent basis. The turnover rate (permanent employees who resigned independently) was 6.0%. (10.4% in 2022). On average, an employment relationship with Fennia lasts about 9 years. In the summer of 2023, Fennia also offered summer jobs to about 60 summer employees. Based on the results of the feedback surveys sent to summer employees, the summer employees were very satisfied with Fennia as a summer job.

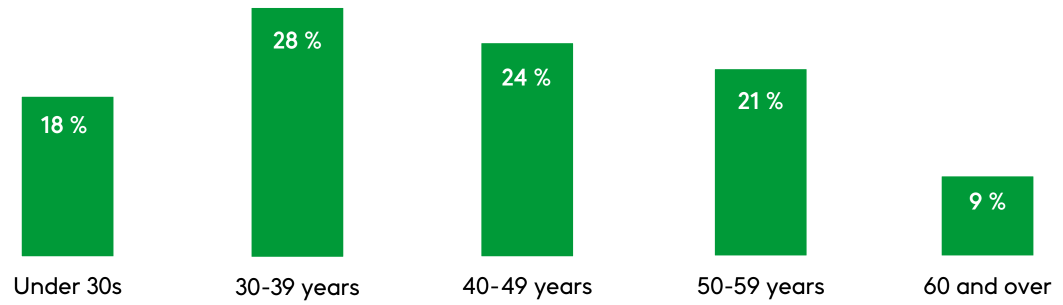
As a rule, employment relationships with Fennia are valid are indefinite and with monthly salaries. Fixed-term employment relationships are established for situations with urgent and peak demand, or for substitute positions during family or study leave, for example. Fennia strives to take its employees' life situations into account and to be a flexible employer. Part-time work was arranged due to reasons such as part-time child care leave and partial old-age pension, as well as for personal reasons (for example, studying in addition to work). The majority of hourly-paid employees work part-time alongside their studies.

Monthly and hourly wages, permanent and fixed-term employees and working hours, 2023



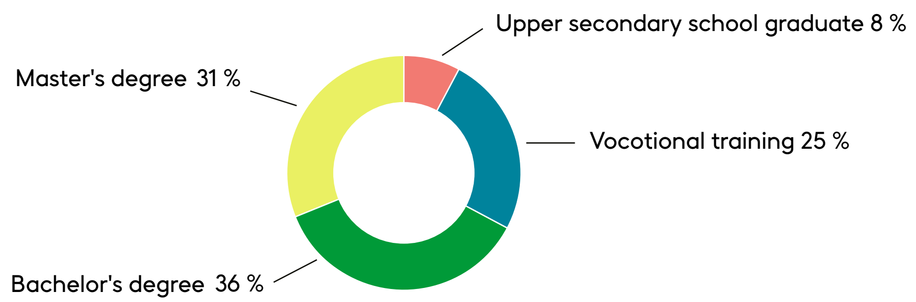
In 2023, 46% of the personnel were 39 years of age or younger, and the remaining 54% were 40 years of age or older. The average age of the staff was approximately 42 years.

Age distribution of personnel, 2023



The most common educational background of Fennia's employees was a bachelor's or master's degree, which has been completed by about 67% of the personnel. A university degree refers to degrees completed at a university or university of applied sciences.

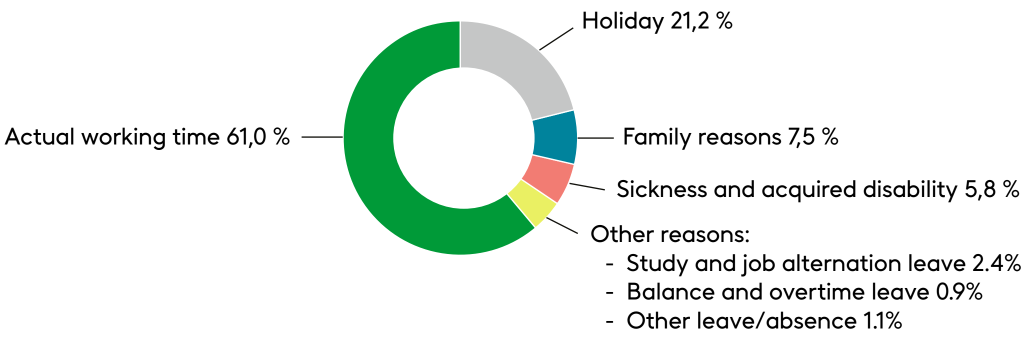
Educational background of staff, 2023



Distribution of working time

In 2023, the average number of personnel converted into person-years was 993. A person-year refers to the entire year's work of a person working full time. A part-time employee is calculated according to the agreed working hours, for example, 80% of working hours corresponds to 0.8 person-years. The family reasons listed in the table below include maternity and parental leave, child care leave, sudden illness of the child and sudden family reasons. Holidays include annual holidays, holiday pay leave and savings leave. Sickness and incapacity for work includes not only sick days, but also rehabilitation and work trials. Other reasons include study and job alternation leave, as well as balance and overtime leave, such as moving and marriage leave, as well as unpaid leave.

Use of staff working time, 2023



Fennia health percentage

In 2023, Fennia's health percentage was 85.4%. The health percentage is calculated monthly, and the monthly values are used to calculate an annual average. The health percentage reflects the proportion of staff who have remained healthy without sick leave.

Fennia for entrepreneurs and owner-customers

Fennia examines the impacts on consumers and end users, especially from the point of view of current and potential customers. Fennia's customers include companies, entrepreneurs and private customers. The identified significant risks associated with these stakeholders relate to matters such as data protection, which is discussed in more detail in the Governance information chapter. Customers are also exposed to matters such as fluctuations in the general economic situation, which may be reflected in purchasing power or the profitability and continuity of entrepreneurship. On the other hand, social crises in the insurance sector can also be an opportunity to promote stability and security. In its own operations and services, Fennia takes into account global megatrends and risks to people's property and health, as well as the interest of individuals in promoting personal health. Relevant perspectives include infectious diseases, antimicrobial and antibiotic resistance, vaccinations, lifestyle changes and genetic engineering. For example, the Covid period caused certain population groups to take out more life insurance policies.

As an insurance industry operator, Fennia has an obligation to know its customers, and from a sustainability perspective, potential risks are associated not only with environmental risks, but also matters such as human and labour rights. From the customer's point of view, Fennia is responsible in the sales situation for ascertaining the customer's insurance need and ensuring that the customer receives comprehensive and correct information about the insurance to be sold. Marketing must not give a misleading impression of the product being sold. The insurance industry has an obligation to provide customers with certain information when purchasing policies, so terms and conditions, product brochures and other information provided in the sales situation are of great importance. If the terms and conditions of the insurance policies and other sales material are not understandable to the customers, misunderstandings regarding the coverage of the insurance policies will cause harm not only to the customer, but also costs and reputation damage to the insurance company. Thus, Fennia promotes transparency through its operations and ensures that the products sold meet the customers' needs in the customer acquisition and care processes. Fennia also has opportunities to pay more attention to sustainability factors in its products and services.

Fennia is involved in creating financial security for Finnish companies and private individuals by enabling the effective sharing of risks between different operators. As a mutual company, Fennia takes care of its solvency, because with strong solvency, Fennia can deliver on the promises made to customers and partners. The key elements of solvency are the prices charged for insurance policies, reinsurance packages and the investment of assets in the financial markets. Insurance premiums must cover compensation for losses, Fennia's operating costs and capital costs. In operations, it is very important to ensure the customer's need for security, as well as to find the right and cost-effective solution for the customer. In addition, it is essential to ensure that the customer has an understanding of what kind of coverage the insurance provides.

Responsible services and products

Fennia acts as a reliable partner for customers in financial preparedness, loss prevention and recovery. Fennia continues to develop the transparency of claims services to its customers in order to ensure that recovering from losses is as smooth as possible.

Fennia helps its customers to prevent losses and prepare for potential risks. Fennia provides its corporate customers with high-quality risk management services, and has for years worked with corporate customers to support them in developing occupational safety. Fennia's risk managers and corporate customer experts work continuously with corporate customers to prevent occupational accidents and to develop a safer operating environment for companies. Forms of cooperation include, for example, consulting and training services, as well as the provision of safety tools for the use of customers. Corporate customers have access to the HSE Lite service, which allows them to electronically report safety observations and carry out the hazard investigation and risk assessment required by the Occupational Safety and Health Act. The service aims to facilitate the anticipation of occupational safety risks and the implementation of corrective measures before serious accidents occur. Fennia supports its private and corporate customers in preparing for financial risks by offering products such as supplementary pension insurance, disability insurance and life insurance.

Transparency and equal treatment in insurance practices

Fennia is undergoing a major business and system reform. Over the coming years, services will be developed to better meet customers' needs, especially from the customer's point of view, focusing on the smoothness of operations and making them easier to understand.

Maintaining customer trust is of paramount importance to Fennia, and customer matters are handled fairly and in accordance with the principle of equal treatment. Fennia builds and develops customer acquisition and management models on a long-term basis, which enables the assessment of the customer's situation and need as individually as possible through careful charting of insurance needs and risk selection.

Fennia also invests in customer experience, and the renewal of Fennia's customer experience measurement was started in 2023. Fennia regularly collects feedback on both customer encounters and satisfaction with the general customer relationship. The surveys investigate matters such as how smooth, understandable and empathetic Fennia's operations are in customers' opinions. The aim is to better understand how customers experience Fennia, identify the key pain points and successes from the customer's point of view, chart development measures and ensure that the customer experience develops in the desired direction.

Collaboration to promote entrepreneurship and equal treatment

Fennia's partners include numerous organisations that promote matters such as entrepreneurship or recreational activities. Fennia also cooperates with various industry associations and organisations promoting equal treatment.

Collaboration with entrepreneur and business associations

The success of businesses and entrepreneurship in Finland and abroad is socially important. Fennia has supported Finnish entrepreneurship in cooperation with Suomen Yrittäjät and its predecessor organisations for several decades. Fennia also cooperates with other entrepreneurial organisations in several different industries. In addition, Fennia cooperates with the Young Entrepreneurs of Finland.

Valtakunnalliset yrittäjäpäivät ("National Entrepreneurs' Days") is a significant annual event where the annual National Entrepreneurship Award is granted in recognition of successful and exemplary business activities. The prize was initially established 1968 by Fennia and the predecessor association of Suomen Yrittäjät.

Fennia is also a member of the Association for Finnish Work and Finland's leading corporate responsibility network, FIBS ry. The Association for Finnish Work is an impartial non-profit association that is owned by its members and independent of labour market organisations. Through its activities, the association aims to ensure that Finnish work can do well and thrive in Finland. FIBS ry provides information on new and innovative ways to develop business and the opportunity to network with companies and other social operators in different sectors.

Cooperation with organisations promoting equal treatment

The implementation of equal treatment and equality in society is important to Fennia. Fennia's socially responsible partners include the Finnish Paralympic Committee and HelsinkiMissio.

Fennia has supported HelsinkiMissio since 2004. HelsinkiMissio is a politically and religiously independent social organisation established in 1883 that calls on Finns to act against loneliness. It works with professionals and volunteers with families with children, young people, seniors and special groups.

Fennia has cooperated with the Finnish Paralympic Committee since 2018. The mission of the Finnish Paralympic Committee is to develop and coordinate top-level sports for people with disabilities. In all its activities, the organisation implements the equality of sports and promotes opportunities to pursue international top sports success at the Summer and Winter Olympics. Fennia especially supports the Tulevaisuuden tähdet group of the Finnish Paralympic Committee, which organises camps four times per year at the Pajulahti Sports Centre, which is the official Paralympic Training Centre in Finland. The group enables a path for athletes all the way to the Finnish Paralympic Team.

Tax footprint

Fennia pays all taxes and tax-like items to Finland, totalling approximately EUR 183 million in 2023.

Fennia Group taxes and tax-like items 2023, EUR thousand

	2023
Direct taxes	
Income taxes	2 983
Social security and pension contributions	14 958
Tax-like items	
Property taxes	821
Transfer taxes	1 113
Indirect taxes	
Value added tax on purchases where the company is liable for VAT, estimated	15 977
Value added taxes, net	4 818
Items deductible from premiums written	
Tax on insurance premiums	78 380
Fire protection fee	1 108
Traffic safety fee	928
Occupational safety fee	1 397
Payments to be made	
Withheld taxes	53 343
Employee pension contributions and unemployment insurance contribution, imputed	6 205
Total	183 030

Governance information

This chapter describes information related to business conduct, responsible investing and provision of investment insurance, as well as sustainable purchasing and partnerships. These subjects are part of the Corporate Culture and Governance main theme of the sustainability programme.

Business conduct

Fennia adheres to ethical practices, complies with regulation and continuously develops its culture of internal control. Fennia's business is subject to a large amount of regulation, and anticipating, understanding, and interpreting future regulation is very important. The amount of regulation is large and constantly increasing. Increasing regulation requires continuous policy development and updating of guidelines. If Fennia fails to train personnel to operate in accordance with regulations or allocates insufficient resources to ensuring compliance with regulations, there is a risk that the effects of the regulation will not be sufficiently comprehensively assessed, or that the changes will not be implemented appropriately. In the most serious case, this presents the risk of acting in violation of regulations, which may result, for example, in penalties and reputational damage. On the other hand, acting in accordance with regulations, for example, to combat the shadow economy, corruption and money laundering, creates positive effects on society.

Fennia takes risks related to information security and data protection seriously both in its own operations and when working with partners. Weak control mechanisms would expose Fennia to crime, as well as penalties, reputational damage, and loss of trust with customers and other key stakeholders. Fennia handles highly sensitive data in its operations, so constant efforts are made to ensure data protection and information security. In addition, the development of artificial intelligence is a megatrend bringing changes to which Fennia needs to adapt, as failure to adapt is also a financial risk.

Investment activities involve opportunities to promote sustainability factors and to achieve societal impact, but the activities also involve risks. If Fennia fails to take sustainability factors into account in its investments, the company may be exposed to non-compliance risks and sustainability risks, and the return on investments may also be affected. If sustainability risks are not taken into account in direct investments, Fennia may be exposed to financial costs related to the risks. In terms of investments, there is also a particular risk to the availability and reliability of ESG data, as the data will increasingly affect not only reporting, but also financial decision-making. Stakeholders such as investors, customers and regulatory authorities expect sustainability factors to be taken into account in investments, so ignoring them could expose Fennia to reputational damage and negatively impact business or business relationships.

Suppliers and partners are significant enablers of business for Fennia. An extensive network of partners also requires the management of risks associated with partnerships. Managing partnerships is expected of Fennia, and Fennia has invested in the development of that management in recent years. One of the biggest risks associated with Fennia's individual partnerships is the fragmentation of the partner network, which challenges the management and control of the partner network. On the other hand, an extensive partner network is an opportunity for Fennia to create positive effects, as it is based on ensuring customer satisfaction with comprehensive services. Partnerships also involve sustainability risks, and their materialisation could cause Fennia to suffer losses such as financial losses, customer loss or reputational damage. Fennia also has an extensive procurement network, where disruptions in availability can affect matters such as prices, the availability of expertise and customer experience. Disruptions can be caused by events such as natural disasters, geopolitics, working conditions in the technology industry, and strikes. Fennia's overall risk is reduced by the extent of the network and the availability of alternative suppliers.

Ethics and regulatory compliance

At Fennia, responsibility and ethics mean, among other things, compliance with regulations, internal principles and guidelines, agreements, industry self-regulation, good insurance practice and appropriate operating practices in customer relationships, and the management of the risks associated with non-compliance in business.

According to Fennia's strategy, compliance with regulation, ethical principles and appropriate operating practices in the customer relationship, as well as risk management, are related to all core business processes. In the summer of 2023, the boards of Fennia Mutual Insurance Company and Fennia Life Insurance Company confirmed the updated Code of Conduct. Additionally, in the summer of 2023, Fennia's management team confirmed the Supplier Code of Conduct with suppliers and partners, the implementation of which is currently progressing at Fennia.

The Fennia Code of Conduct promotes a corporate culture in which operations comply with regulation and good insurance practice and are ethically sustainable and responsible. We actively follow the development of good corporate governance practices and utilise them in the development of our own governance structures. Particular attention is paid to monitoring and reporting practices at Fennia to ensure that operations comply with regulation, authorities' orders and guidelines, and good insurance practice.

In accordance with the Code of Conduct, Fennia's personnel are required to treat partners and competitors fairly. In cooperation relationships, Fennia always strives to act professionally, equally and fairly. When dealing with competitors, the provisions of the legislation on the promotion of competition are complied with. Selection decisions about partners are made transparently and based on objective criteria. If the employee receives information subject to confidentiality or secrecy about customers or partners as part of their work duties, they are under no circumstances permitted to disclose or use the information to benefit themselves, another person or Fennia.

It is the duty of everyone working in Fennia to recognise situations in their own work in which it could be suspected that decision making is affected by an inappropriate factor such as a close relationship with the customer, partner or another employee, and to follow Fennia's guidelines for managing conflicts of interest. Conflicts of interest are also prevented by the division of tasks and work arrangements. As part of the prevention of conflicts of interest, Fennia's employees may in no circumstances process insurance or claims applications filed by themselves or their personal associates or participate in concluding any other contract concerning themselves or a person or company with which they are closely associated. All kinds of influencing or attempts to influence such decision making is prohibited.

Personnel are expected to exercise caution when giving and receiving gifts and hospitality. No one at Fennia is allowed to take or give gifts or entertainment that exceed normal hospitality. Gifts or entertainment with the aim of affecting decision making is never considered normal hospitality.

Our operations comply with legislation regarding insurance confidentiality, data protection and information security, as well as the instructions of the authorities and good data processing practices. Private and corporate customers' information is handled carefully and confidentially.

Our analytical activities and the combating of shadow economies, money laundering and terrorist financing allow Fennia to secure its business environment. We identify and know our customers, and the purpose of customer and cooperation relationships and the grounds for using the services are clarified. Fennia comprehensively files reports regarding suspicious transactions detected in its business operations and otherwise cooperates with the authorities to protect the financial system from being abused for money laundering or terrorist financing. Fennia ensures that staff have adequate instructions and tools for the tasks required for the prevention of money laundering and terrorist financing. The procedures in place protect employees who report suspicious transactions.

Each Fennia employee is required to know the Code of Conduct and more detailed instructions related to their own work tasks, as well as act in accordance with the Code of Conduct and instructions. The staff has access to detailed guidance on topics covered by the principles of good business practice, such as conflicts of interest, receiving and giving gifts and hospitality, confidentiality of information and prevention of the shadow economy, money laundering and terrorist financing, information security and data protection.

At Fennia, the entire staff and the employees of significant sales cooperation partners are obliged to complete online training on the principles of good business practice, customer due diligence, anti-money laundering, data protection, information security and responsible work behaviour. The completion rate of trainings is continuously monitored. At Fennia, the completion of mandatory online training is a prerequisite for the payment of personal incentive rewards.

In addition to mandatory online training, interactive training has been organised for staff. In the spring of 2023, coaching was arranged for managers on the Code of Conduct, which developed the ability of managers to steer activities in accordance with the Code of Conduct and identify situations where the activities would not comply with the Code of Conduct. In addition, interactive training was organised on the prevention of money laundering and the principles of good business practice. Practical "Supporting work with guidelines" training courses were also organised in 2023.

Possible internal irregularities at Fennia are prevented by continuously developing the internal control culture. Compliance carries out control tasks in accordance with the control plan and, if necessary, carries out ad hoc audits. If the audits identify areas for improvement in the operating practices required by regulation, good insurance practice or customer due diligence, Compliance issues recommendations to the business function and monitors the implementation of the recommendations in the function.

Personnel are encouraged to report any unethical or irregular behaviour detected to Fennia's internal operational risk reporting channel. Notifications received in the reporting channel are processed and the necessary corrective measures are then implemented. Since December 2021, there has also been a whistleblowing channel through which staff and Fennia's stakeholders can report any violations they find anonymously. Fennia's independent control functions monitor all findings concerning the ethical nature of operations and ensure that unethical activities are also addressed.

Data protection

For Fennia, the trust of customers and stakeholders is very important, and personal data is always processed in a way that is worthy of trust. Ensuring compliance with the requirements set by data protection regulations is part of Fennia's risk management and compliance activities. Compliance with these regulations is also part of the principles of good business practice.

Appropriate processing of personal data is ensured by the necessary administrative and technical safeguards, as well as by taking into account the requirements related to the processing of personal data in business development. In 2023, Fennia's business operations strengthened their data protection expertise. The development of the data protection programme continued to better serve the businesses by providing centralised control models and tools for the businesses.

In 2023, several significant business development projects were launched, in which the appropriateness of the processing of personal data has been taken into account from the very first planning stages. Regarding personal data, data protection risk management focuses particularly on the risks posed to data subjects, which are assessed as part of the data protection impact assessment.

The competence, skills and knowledge of the staff are key to ensuring data protection and the proper processing of personal data. In 2023, the development of the training package was continued, and the general data protection training was updated. In addition to general data protection training, targeted data protection training is also available for staff.

Fennia requires that employees process personal data only to the extent required by their duties. At Fennia, all activities that violate the laws concerning the processing of personal data and Fennia's data protection principles are activities that jeopardise data protection. If a person's data protection is suspected to have been compromised, the matter will be investigated without delay. Each employee is obliged to promptly report any suspected or perceived data protection risk. An internal investigation of the actual risks related to data protection is always initiated and appropriate corrective measures are taken.

Information security

Fennia is exposed to rapidly changing security threats and cyberattacks. Regular security checks and risk management measures are carried out to identify these threats and to manage the risks arising from them. The information security status of Fennia's services is monitored 24 hours a day by the information security control team, and all observed deviations are reported and processed. Significant security incidents are immediately reported to the authorities. In 2023, no official reports were made of any information security incidents involving Fennia.

Fennia's information security management model is based on the information security principles and their supplementary guidelines approved by Fennia's Board of Directors. The procurement of new services is accompanied by minimum information security requirements, as well as a separate information security appendix attached to the templates of the contracts. These ensure that the services comply with laws, regulations and Fennia's requirements.

In addition to mandatory information security training for personnel, Fennia has information security awareness communication and training sessions. In 2023, Fennia introduced a new training programme to increase the information security awareness of its personnel.

Preventing the shadow economy, corruption, money laundering and evading sanctions

Fennia is subject to the Anti-Money Laundering Act, as well as international sanctions regulations, all of which require Fennia to know its customers and to ask its customers for certain information. As required by regulation, the customer relationship must be monitored and data collected and stored as part of customer due diligence, customer-specific anti-money laundering risk assessment and anti-money laundering and prevention of terrorist financing.

In 2023, Fennia strengthened its anti-money laundering risk management and allocated more resources to combating money laundering and the evasion of sanctions. With regard to personnel, resources have been strengthened, and persons responsible for the prevention of money laundering, as required by law and official guidance, have been appointed to Fennia. Measures to prevent money laundering and terrorist financing, as well as to combat the evasion of sanctions, are actively coordinated through steering group activities. Fennia is developing an extensive system reform, which will further improve and modernise the prevention of money laundering and the implementation of obligations arising from customer due diligence and sanctions regulation.

Fennia regularly assesses the risks related to money laundering. Procedures for preventing money laundering and terrorist financing will be developed on the basis of a risk assessment. In 2023, a section on sanctions was added to the risk assessments, which deals with threats and vulnerabilities related to non-compliance with sanctions regulation and freezing decisions and risk management measures against Fennia. Measures were designed to mitigate or eliminate the identified risks.

Customer-related risk management was improved by reviewing the processes and guidelines for combating money laundering and terrorist financing, as well as sanctions evasion, resulting in significant improvements. In addition, the monitoring of compliance with the guidelines was further improved by developing Fennia's internal quality control and supervision procedures.

In 2023, the risk classification criteria for customer money laundering were clarified and product risk assessments for AML and sanctions risks were added to the regulatory compliance product and service management policies and the product and service management model for new products and services. In customer relationships where, according to the risk assessment, the risk of money laundering or terrorist financing is considered to be higher, enhanced customer due diligence measures are applied to reduce the identified risk factors. High-risk customer relationships are directed to senior management for approval before entering into a customer relationship.

Customers’ activities are continuously monitored throughout the customer relationship as required by the risk category. The aim of continuous monitoring is to detect any deviations from normal customer behaviour in order to prevent money laundering and terrorist financing. Any unusual activity detected in connection with continuous monitoring or other customer contact is always subject to a suspicious transaction report at Fennia to the Financial Intelligence Unit.

Fennia continuously strives to improve its understanding of the prevention of the shadow economy, corruption and money laundering and sanctions evasion, and continues to invest in its anti-money laundering capabilities to strengthen its procedures and technical capabilities. Fennia has a Code of Conduct confirmed by the Board of Directors, which states Fennia’s commitment to responsible and effective internal control in order to prevent the company from intentionally or accidentally participating directly or indirectly in financial crimes, such as money laundering, terrorist financing, circumvention of financial sanctions or international crimes.

Fennia applies a risk-based approach to the prevention of money laundering and terrorist financing by continuously assessing and understanding risks in the different sectors of its customers. The risk-based approach includes a regularly updated Fennia risk assessment covering risks related to customers, industry, products, services, distribution channels, geographical location and technologies, which play a key role in defining the key development areas needed to reduce the residual risk of criminal use of Fennia or its products and services.

Fennia is constantly investing in its ability to fight financial crime. By knowing and identifying customers, as well as understanding the nature of the business and monitoring customers’ transactions, Fennia reduces and manages the risk that the services it provides are used for criminal purposes.

All suspicious transactions are investigated and reported to the Financial Intelligence Unit. Fennia’s internal policies, procedures, guidelines, system support and training support employees in their work and help ensure that the Group’s companies and services are not used for money laundering, terrorist financing or sanctions evasion. Employees are regularly trained on Fennia’s anti-money laundering, anti-corruption and anti-terrorist financing policies through online training as well as internal training tailored to different target groups. Fennia also cooperates with various authorities to promote a common social effort to prevent financial crimes.

Corruption is also combated at Fennia through internal practices. According to Fennia’s conflict of interest management principles, it is forbidden to receive and give entertainment and gifts if the purpose of the entertainment or gift-giving could be an attempt to influence decision-making.

Responsible investing and provision of investment insurance

Responsible investing or ESG investing refers to an investment approach in which non-financial issues, such as environmental and social impacts, as well as issues related to good governance, are also taken into account in investment decisions. Taking sustainability into account in Fennia's investment activities is important in accordance with double materiality from two points of view: 1) how investments affect the surrounding world, and 2) how the surrounding world affects investments. In this way, Fennia can ensure that the assets are invested with a changing world in mind and that Fennia can continue to pay its customers' claims in the future.

Fennia is committed to responsible investment and has signed the UN-supported Principles for Responsible Investment (UNPRI) and joined the Finnish Sustainable Investment Forum Finsif. The principles of responsible investing supported by the UN include taking environmental, social and governance issues into account in investment activities, promoting responsible investing and reporting on it. These principles are also implemented in Fennia's operations, and by committing to them, Fennia wants to promote sustainability both in investment operations and in the industry in general. Finsif is a community of responsible investors that offers its members the opportunity to network and share information related to responsible investing. The purpose of Finsif is to promote responsible investing that takes into account environmental, social and governance issues in asset management and investment decisions. Finsif is a pioneer in responsible investing in Finland, and Fennia wants to operate as part of a network of Finnish responsible investors.

A significant part of Fennia's investment assets is managed by external asset managers, which is why responsibility has also been considered when selecting asset managers. Fennia uses only asset managers and management companies that are committed to responsible investment by signing the UN-supported Principles for Responsible Investment (UNPRI) and whose responsibility is credibly integrated into investment activities. Fennia's external asset managers have also committed to the net zero carbon target by signing the Net Zero Asset Managers initiative.

Direct corporate bond investments, as well as funds managed by asset managers, are subject to various exclusions, including criteria related to controversial weapons, tobacco, violations of international standards, and coal. Direct corporate bond investments take into account the sustainability of investee companies in connection with investment decisions by means such as ESG scores and taking ESG risks into account. In fund investments, Fennia has invested in funds that take sustainability into account, in which sustainability has been taken into account more extensively than the exclusions, such as by emphasising responsible companies. Such funds include, but are not limited to, funds that track ESG indices, such as funds that invest in the Paris-Aligned index under the Paris Agreement on climate change. Fennia has selected asset managers and management companies that also have a clear corporate governance policy from the perspective of sustainability.

In direct real estate investments, long-term sustainability work is carried out, especially in terms of energy efficiency and reducing energy use emissions. The climate work on real estate investments is described in more detail in the Climate change chapter. In 2023, three Fennia properties were awarded the environmental certificate BREEAM In-Use at the Excellent and

Very Good levels. For the first time, tenants of properties were surveyed for their experiences of sustainability through a survey. The results of the survey show that for the tenants of Fennia's properties, the sustainability of the premises is important and there is still room for improvement in the communication of sustainability.

Fennia's corporate bond investments and listed equity investments are monitored with several ESG indicators on a quarterly basis. The 18 different ESG indicators in use include carbon emission metrics, as well as other environmental, social and governance (ESG) indicators, such as those related to the UN Sustainable Development Goals (SDGs). Fennia monitors the development of investments with these indicators, identifies the reasons behind the changes and compares the performance of investment assets with these indicators relative to the market. When making new investment decisions, the impacts of investment decisions on the portfolios managed by Fennia are taken into account in the carbon emissions of the portfolios, and the impacts on other ESG indicators are also charted. The carbon emissions of the investments and related targets are described in more detail in the Climate change chapter.

ESG indicators show the sustainability of investee companies and how Fennia influences the world around it with its investment activities. The perspective of double materiality is also monitored regularly, particularly regarding the risks brought by climate change to investment activities. Climate risks and their consideration are described in more detail in the chapter Risks related to climate change.

Fennia also wants to offer its customers the opportunity to invest responsibly through savings and investment insurance. In 2023, Fennia began mapping customers' sustainability preferences and offering responsible investment funds to be included in investment insurance policies. These investment funds are classified as sustainable in accordance with Articles 8 and 9 of Sustainable Finance Disclosure Regulation (SFDR). In several funds classified as responsible, the principal adverse impacts of investments (PAI) have also been considered. More information on the disclosures required by the SFDR can be found on Fennia's website.

Sustainable procurement and partnerships

Procurement and partnerships have been identified as material in sustainability work. To guide procurements and partnerships, Fennia has started to draw up common practices in 2023. The implementation of the practices will be started in stages during 2024.

In the future, the common practices and operating methods of the management of procurement and partnerships will be examined in more detail from the perspective of sustainability: how can Fennia's sustainability objectives be taken into account in procurements and partner cooperation. During 2024, a plan will be drawn up for the necessary measures to develop sustainability in procurements and partnerships.

In its procurement and partnerships, Fennia ensures that outsourcing or other partnerships are arranged so that the risks related to outsourcing are controlled, the operations continue uninterrupted, and the regulatory requirements related to outsourcing are met.

Appendices

Environmentally sustainable economic activities forms required by the EU Taxonomy Regulation

Appendix X form: The underwriting KPI for non-life insurance and reinsurance undertakings, The figures in euros are expressed in millions of euros.

	Substantial contribution to climate change adaptation			DNSH (Do No Significant Harm)					
Economic activities (1)	**Absolute premiums, year t (2)**	**Proportion of premiums, year 2023 (3)**	**Proportion of premiums, year 2022 (4)**	**Climate change mitigation (5)**	**Water and marine resources (6)**	**Circular economy (7)**	**Pollution (8)**	**Biodiversity and ecosystems (9)**	**Minimum safeguards (10)**
	EUR	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
A.1 Non-life insurance and reinsurance underwriting Taxonomy-aligned activities (environmentally sustainable)	0	0%	n/a	Y	n/a	n/a	n/a	n/a	N
A.1.1. of which reinsured	0	0%	n/a	Y	n/a	n/a	n/a	n/a	N
A.1.2. of which stemming from reinsurance activity	0	0%	n/a		n/a	n/a	n/a	n/a	N
A.1.2.1 of which reinsured (retrocession)	0	0%	n/a		n/a	n/a	n/a	n/a	N
A.2. Non-life insurance and reinsurance underwriting Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)	422,05	89,1 %	90,0%		n/a	n/a	n/a	n/a	N
B. Non-life insurance and reinsurance underwriting taxonomy-non-eligible activities	51,38	10,9 %	10,0%						
Total (A.1+A.2+B)	473.43	100%	100%		n/a	n/a	n/a	n/a	N

'Premiums' in columns (2) and (3) shall be reported as gross premiums written or, as applicable, turnover relating to non-life insurance or reinsurance activity. Fennia reports the figures as gross premiums written.

Non-life insurance and reinsurance can only be aligned with Regulation (EU) 2020/852 as activity that enables climate change adaptation.

Additional information related to the table above: Regarding climate change mitigation, Fennia has not identified any activities contrary to the "do no significant harm" principles at the product level.

Appendix X form: Percentage of total investments of the insurance or reinsurance undertakings directed towards or related to the financing of taxonomy-aligned activities

The figures in euros are expressed in millions of euros			
The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities relative to the value of total assets covered by the KPI, with following weights for investments in undertakings per below:		The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities, with following weights for investments in undertakings per below:	
Turnover-based:	2.3%	Turnover-based:	EUR 88.2 million
Capital expenditures-based:	2.7%	Capital expenditures-based:	EUR 101.3 million
The percentage of assets covered by the KPI relative to total investments of insurance or reinsurance undertakings (total AuM). Exclud-ing investments in sovereign entities:		The monetary value of assets covered by the KPI. Exclud-ing investments in sovereign entities:	
Coverage ratio:	93.5%	Coverage:	EUR 3,788.7 million
Additional, complementary disclosures: breakdown of denominator of the KPI			
The percentage of derivatives relative to total assets covered by the KPI:		The value in monetary amounts of derivatives:	
	0.2%		EUR 8.3 million
The proportion of **exposures to financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI:		Value of **exposures to financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU**:	
For non-financial undertakings	11.0%	For non-financial undertakings	EUR 415.3 million
For financial undertakings	6.6%	For financial undertakings	EUR 248.6 million
The proportion of **exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI:		Value of **exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU:**	
For non-financial undertakings	6.9%	For non-financial undertakings	EUR 260.6 million
For financial undertakings	6.6%	For financial undertakings	EUR 248.6 million
The proportion of **exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI:		Value of **exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU**:	
For non-financial undertakings	4.9%	For non-financial undertakings	EUR 186.0 million
For financial undertakings	1.3%	For financial undertakings	EUR 50.6 million
The proportion of **exposures to other counterparties and assets over** total assets covered by the KPI:		Value of **exposures to other counterparties and assets:**	
	76.0%		EUR 2,879.9 million

The figures in euros are expressed in millions of euros			
The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts **where the investment risk is borne by the policy holders**, that are directed at funding, or are associated with, Taxonomy-aligned economic activities:		Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts **where the investment risk is borne by the policy holders**, that are directed at funding, or are associated with, Taxonomy-aligned economic activities:	
	57.0%		EUR 2,158.6 million
The value of all the investments that are funding **economic activities that are not Taxonomy-eligible** relative to the value of total assets covered by the KPI:		"alue of all the investments that are funding **economic activities that are not Taxonomy-eligible:**	
Based on turnover:	86.5%	Based on turnover:	EUR 3,278.1 million
Based on capital expendi-tures:	86.0%	Based on capital expendi-tures:	EUR 3,257.7 million
The value of all the investments that are funding Taxonomy-eligible economic activities, **but not Taxonomy-aligned relative to the value of** total assets covered by the KPI:		Value of all the investments that are funding Taxonomy-eligible economic activities, **but not Taxonomy-aligned**:	
Based on turnover:	11.1%	Based on turnover:	EUR 422.4 million
Based on capital expendi-tures:	11.3%	Based on capital expendi-tures:	EUR 429.7 million
Additional, complementary disclosures: breakdown of **numerator** of the KPI			
The proportion of **Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU** over total assets covered by the KPI:		Value of **Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU**:	
For non-financial undertakings:		For non-financial undertakings:	
Turnover-based:	0.1%	Turnover-based:	EUR 5.4 million
Capital expenditures-based:	0.2%	Capital expenditures-based:	EUR 9.1 million
For financial undertakings:		For financial undertakings:	
Turnover-based:	0.0%	Turnover-based:	EUR 1.6 million
Capital expenditures-based:	0.1%	Capital expenditures-based:	EUR 4.9 million
The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts **where the investment risk is borne by the policy holders**, that are directed at funding, or are associated with, Taxonomy-aligned:		Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts **where the investment risk is borne by the policy holders**, that are directed at funding, or are associated with, Taxonomy-aligned:	
Turnover-based:	0.7%	Turnover-based:	EUR 24.9 million
Capital expenditures-based:	0.8%	Capital expenditures-based:	EUR 31.9 million
The proportion of **Taxonomy-aligned exposures to other counterparties and assets** over total assets covered by the KPI:		Value of **Taxonomy-aligned exposures to other counterparties and assets** over total assets covered by the KPI:	
Turnover-based:	2.1%	Turnover-based:	EUR 81.2 million
Capital expenditures-based:	2.3%	Capital expenditures-based:	EUR 87.3 million

Breakdown of the numerator of the KPI per environmental objective

Taxonomy-aligned activities – provided 'do-not-significant-harm'(DNSH) and social safeguards positive assessment:					
Climate Change Mitigation	Turnover:	1,9 %	Transitional activities:	Turnover:	0,1 %
				Capital expenditure:	0,1 %
	Capital expenditure:	2,2 %	Enabling activities:	Turnover:	0,2 %
				Capital expenditure:	0,3 %
Climate Change Adaptation	Turnover:	0,4 %			
	Capital expenditure:	0,4 %	Enabling activities:	Turnover:	0,4 %
				Capital expenditure:	0,4 %
The sustainable use and protection of water and marine resources	Turnover:	- %			
		- %			
	Capital expenditure:	- %	Enabling activities:	Turnover:	- %
		- %		Capital expenditure:	- %
The transition to a circular economy	Turnover:	- %			
		- %			
	Capital expenditure:	- %	Enabling activities:	Turnover:	- %
		- %		Capital expenditure:	- %
Pollution prevention and control	Turnover:	- %			
		- %			
	Capital expenditure:	- %	Enabling activities:	Turnover:	- %
		- %		Capital expenditure:	- %
The protection and restoration of biodiversity and ecosystems	Turnover:	- %			
		- %			
	Capital expenditure:	- %	Enabling activities:	Turnover:	- %
		- %		Capital expenditure:	- %

Appendix XII Standard templates for the disclosure referred to in Article 8 (6) and (7)

Template 1: Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

With regard to the information in Form 1 of Annex XII, Fennia has not identified any activities mentioned in the form related to the premiums written for taxonomy-aligned non-life insurance and non-life reinsurance activities. For investment activities, the information required for reporting is not available.

Fennia

Kyllikinportti 2
00017 Fennia

fennia.fi

Layout: PunaMusta Oy 2024