Pohjola Insurance

Principles for Sustainable Insurance 2024

Pohjola Insurance signed the UN's Principles for Sustainable Insurance in 2022 and disclosed its sustainability efforts in multiple respects since.

Pohjola Insurance strives to consider how sustainability factors and related changes affect its business, and the company's operations aim to have a positive impact on the society and the environment.

Climate and environment have been established as a material theme within which key objectives contribute to the sustainability of its insurance business. Prioritized objectives within this theme relate to reducing emissions, adapting to climate change, implementing circular business models, and protecting biodiversity.

Social well-being is also a fundamental part of Pohjola Insurance's sustainability work. **The people and communities theme** includes objectives on enhancing diversity in the workforce, supporting the well-being of local communities, promoting economic and digital inclusion as well as respecting human rights.

Through **good governance**, Pohjola Insurance ensures achieving its sustainability objectives. Pohjola Insurance has set targets to integrate sustainability into relevant business activities and risk-taking, use data and artificial intelligence responsibly, increase sustainability in its value chain, as well as enhance diversity and sustainability competencies of its personnel.

Pohjola Insurance aims to enhance its disclosures for addressing ESG impacts, risks, and opportunities through the UN's Principles for Sustainable Insurance.

Principle 1

We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

Sustainable Insurance Business and Strategy

Ensuring a sustainable business is a strategic priority for Pohjola Insurance. The company's sustainability strategy focuses on three core themes of climate and environment, people and society and good governance.

In 2024, the company further developed its strategic road map for sustainability, which sets the targets, metrics and measures that Pohjola Insurance prioritizes in embedding sustainability into its insurance business.

The strategic road map directs Pohjola Insurance's decision-making and daily work.

Climate Change Adaptation

Weather events such as floods, storms, cold- or heatwaves are expected to become more frequent and severe in the future accompanied by an increase of related damages. Due to this, actions related to climate change adaptation is essential in the insurance business to limit impacts and ensure continued provision of financial protection. Through measures supporting climate adaptation, Pohjola Insurance mitigates climate related risks and ensures its customers necessary protection. The company works to anticipate, communicate and signal risks to reduce ensuing losses to customers and society and thus, also to reduce the risk of claims expenditure.

While action to mitigate climate change is essential to address the root causes of climate risks, adaptation to its impacts and the management of climate risks are equally material for Pohjola Insurance. The company takes climate and environmental impacts into consideration in its operations as well as in product and service development. To enhance resilience, Pohjola Insurance explores means to incentivise climate-related risk prevention and appropriately reflect climate risks in pricing. The materiality of climate risks in non-life insurance is analysed, and Pohjola Insurance strives to raise awareness of these threats. The ambition is to help its customers better understand the exposure and adapt to the impacts of physical climate risks. Pohjola Insurance utilises climate risk modelling to appropriately anticipate climate risks.

Pohjola Insurance is progressing in climate risk modelling and is developing flood modelling to estimate the amount and scope of flood losses. The company applies flood maps provided by the Finnish Environment Institute to analyse the probability and heights of coastal and inland floods in Finland. Based on this information and applying location specific flood scenarios, Pohjola Insurance maps the exposure and impact of floods on insured objects and determines flood risk indexes for these. Pohjola Insurance has coastal flood models until 2050, which are used alongside other modelling. In addition to floods, climate modelling is continued for other material climate-related threats such as storms.

In line with the EU Taxonomy, economic activities related to non-life insurance can substantially contribute to EU's environmental objective of climate change adaptation. Pohjola Insurance continues the development of eligible insurance products to ensure alignment with the EU taxonomy. Pohjola Insurance's taxonomy reporting can be found in OP Financial Group's CSRD report.

Climate Change Mitigation

Although the insurance sector is not a major polluter, it plays a key role in accelerating climate change mitigation particularly through its underwriting and investment operations, but also as part of claims settlement.

As part of OP Financial Group, Pohjola Insurance, is committed to the Paris Agreement which is aimed at holding the increase in the global average temperature well below 2°C above the pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Pohjola Insurance's carbon emissions related to own operations are managed by OP Financial Group. Pohjola Insurance shares OP Financial Group's goal of achieving carbon neutrality in its own operations (Scopes 1 and 2) by 2025.

Pohjola Insurance's investment portfolio accounts for a proportion of its value chains' carbon emissions. The company calculates its financed emissions in line with the Partnership for Carbon Accounting Financials (PCAF) and its main climate target is to make its investments carbon neutral by 2050, covering the entire investment portfolio. The company's interim climate target is to halve carbon intensity of its investments by 2030 compared to year 2019.

To estimate its insurance-associated emissions, Pohjola Insurance has adopted the PCAF standard for insurance-associated emissions in 2023. The standard provides methodological guidance on the measurement of insurance-associated emissions in two segments: motor vehicle insurance for personal and corporate customers, and property and general liability insurance for corporate customers.

Greenhouse gas (GHG) accounting follows generally accepted principles and because insurance-associated emissions are calculated using a methodology specifically intended for the sector, they are reported separately to financed emissions. Insurance associated emissions and financed emissions are not directly comparable or to be aggregated as they arise from different economic activities and follow applicable methodologies.

Pohjola Insurance supports its customers in transitioning to a carbon neutral economy. Based on calculations of its insurance portfolio's carbon dioxide emissions, Pohjola Insurance explores measures and targets to reduce its portfolio emissions. As a key decarbonisation measure, Pohjola Insurance no longer insures institutions or companies that engage in oil and gas exploration or production. Nor does it insure operations and property related to coal unless the policyholder can present a reliable transition plan. Pohjola Insurance supports the adoption of renewable energy and related purchases with its insurance solutions.

In the insurance claims settlement, GHG emissions arise from activities related to the repair and replacement of damaged assets especially in motor and property insurance. Leveraging solutions that promote circular economy in claims handling is one of Pohjola Insurance's key approaches to mitigate climate change.

Pohjola Insurance works together with its claims handling partners to increase circular solutions in claims processes. The company promotes these solutions by encouraging partners to primarily repair damaged property but also strives to increase recycling and reuse of materials in repairing.

Currently, there is no standardized method in the market to calculate the carbon footprint of claims processes and to account for benefits in the use of circular solutions in claims handling. Pohjola Insurance is implementing more accurate methods of GHG accounting through the use of claims repair related emission data.

Pohjola Insurance's key Scope 3 absolute emissions

228,331 tCO_2e [1, 2]
(234,388 tCO_2e)
Insurace-associated emissions (Scope 1–2)

163,282 tCO_2e [1, 2]
(196,491 tCO_2e)
Financed emissions (Scope 1 & 2)

191,505 tCO_2e [2]
(147,000 tCO_2e)
Claims associated emissions

[1] Emissions calculated by using the PCAF calculation method.

[2] Further details on the calculation methodology and data quality score in OP Financial Group's CSRD report. Emissions are not directly comparable or to be aggregated as they arise from different economic activities and follow applicable methodologies

Climate Stress Tests

Climate stress tests are an important part of Pohjola Insurance's risk management. Climate stress test results are reported in Solvency II Directive based Own Risk and Solvency Assessment (ORSA) report. The Insurance segment has identified climate change related impacts on companies' risk profiles as part of the risk and solvency assessment.

Pohjola Insurance has identified physical and transition risks concerning insurance risks, market and counterparty risks, as well as operational and strategic risks, including reputational risks. Current contingency measures and needs have also been outlined. Pohjola Insurance has assessed its capital adequacy with climate stress tests for market risks and underwriting risks.

Biodiversity

The insurance sector holds potential to promote biodiversity conservation and mitigate nature degradation. In connection with the development of the OP Financial Group's biodiversity roadmap, Pohjola Insurance has set its biodiversity-related measures and examined possible initiatives. Nature-related opportunities can be harnessed in product and service development by considering nature-positive impacts in insurance pricing and claims settlement practices, by example. Negative nature related impacts can entail insuring or investing in companies that harm biodiversity and ecosystems through their operations or projects. Biodiversity is analysed in conjunction with circular economy perspectives. The biodiversity road map recognizes circularity as a way to promote the sustainable use of natural resources and mitigate biodiversity loss.

As part of its forest insurance development work in 2024, Pohjola Insurance examined nature related values in its insured forests. Aspects such as valuable habitats, tree species, mixed forests, and prevalence of endangered species, were examined. Opportunities that support and restore biodiversity as well as promote climate change adaptation have been explored during the development work. Alternatives for adaptation measures, which could create value in promoting the preservation of biodiversity in forests but also reduce the scope of losses of climate change that prevent ensuing risks, are explored.

The sustainable use of natural resources and the mitigation of biodiversity loss are promoted in non-life insurance claims settlement through the use of operating models that support circularity. In addition, Pohjola Insurance has conducted a preliminary assessment of its insurance portfolio's sector specific impacts to and dependencies on natural capital. The conducted analysis is based on global dependency and impact assessments compliant with the ENCORE tool and does not consider the geographical location. The biodiversity related development work continues in the coming years.

Circularity

Pohjola Insurance is committed to increasing circularity in its operations and value chain, especially in the claims settlement services. Through the transition towards circular business models, Pohjola Insurance can mitigate climate change and contribute to enhancing biodiversity by reducing its claims related emissions.

In Pohjola Insurance's claims settlement services, measures are taken to promote circularity in damage compensation. The company increases the reuse, recycling and repair of damaged material, which has been identified as having a significant impact on carbon footprint. Circular solutions are actively adopted especially in the vehicle and property damage claims settlement services. Cooperation with claims partners takes place in these services, and pilots are carried out to identify circular economy-related practices. In accordance with Pohjola Insurance's vehicle and property insurance terms and

conditions, damaged property is always primarily repaired. Pohjola Insurance requires that its claims partners investigate the possibility to repair the damaged property. In addition, multiple opportunities which promote circular business models in vehicle and property damage have been identified in collaboration with higher education institutions.

Pohjola Insurance has set a target that aims to increase circularity in claims services. The target is measured by the share of reused and recycled components in all vehicle and property damage claims. The company aims to increase the share of circularity in claims services by 3% from the base year 2022 (14.1%) to 17.1% from reported damages in vehicle and property claims by the end of the year 2025. At the end of year 2024 the share of circularity was 16.3%, resulting in the increase of the share by 2.2 percentage points from the base year 2022. Pohjola Insurance aims to leverage solutions that promote circularity in claims handling as a means to reduce carbon emissions.

16.3% (15.1%)

Share of circular economy based solutions in vehicle and property claims

Sustainable Investments

Pohjola Insurance integrates sustainability factors in its investment processes. Pohjola Insurance's main climate target is to be carbon neutral by 2050, covering its entire investment portfolio. The company's interim climate target is to halve carbon intensity of its investments by 2030 compared to the year 2019. This is a strategic indicator followed at the executive level.

The main strategies for Pohjola Insurance's responsible investment are ESG-integration, active ownership, and exclusions. ESG-integration means considering sustainability factors in investment analysis and decision-making. Active ownership is conducted through shareholder meetings, direct corporate influence and thematic influence, alone or together with other investors. Pohjola Insurance applies the same exclusion strategy as OP Asset Management.

ESG Risk Assessment

Pohjola Insurance is developing an ESG assessment for its corporate customers. The assessment will be a tool for Pohjola Insurance to identify ESG-related risks and a means to support its corporate customers in ESG matters. The assessment includes questions from various aspects of ESG, such as, greenhouse gas emissions, climate risks and related adaptation measures, human right risks and related due diligence processes, as well as occupational health and safety.

Pohjola Insurance's ESG assessment will be integrated into selected customer processes starting from 2025. The implementation is phased aligned with the EU's Corporate Sustainability Reporting Directive (CSRD) schedule.

Human Rights

Pohjola Insurance emphasize fairness and equal treatment of all clients. All employees are committed to upholding Pohjola Insurances human right principles and seek to promote them in all its activities. As part of OP Financial Group, Pohjola Insurance is committed to OP's human rights statement and human rights policy, which were both published in 2023. Pohjola Insurance follows the human rights due diligence process introduced in the human rights policy and is constantly looking for ways to improve the identification of possible human rights violations.

One example of this is the development of the ESG assessment for corporate customers, which includes questions related to human rights. The ESG assessment is a tool to monitor the minimum social safeguards of the EU Taxonomy from customers' perspective. This means that the insurer assesses the social sustainability of companies and seeks to ensure that they comply with human rights principles. However, the development of the ESG assessment is still ongoing and the consequences of any possible shortcomings or omissions identified through the assessment will be further defined as the development work progresses.

In addition to the ESG assessment for corporate clients, Pohjola Insurance offers its corporate clients occupational safety services to help them anticipate common occupational safety risks in their industry. Occupational health and safety are one of the key elements of human rights at labor and work, thus Pohjola Insurance's occupational health and safety services aim to minimize any of these risks. If a risk still occurs, Pohjola Insurance can support its corporate customers through rehabilitation services.

As further defined above, Pohjola Insurances investment activities are governed by the same principles as OP Asset Management, which emphasize sustainability and ethical principles. Human rights are also at the core of investment activities, as investment activities pay attention to sustainability and ethical considerations to ensure that investments are transparent and socially sustainable.

Steering Group for Sustainability

Pohjola Insurance operates a sustainability steering group for which the company's CEO affirms rules of procedure. All areas of the organisation, as well as supporting functions (communications, compliance, risk management, actuarial and finance) are represented in the steering group.

The steering group assists Pohjola Insurance's Management Team in leading the company's ESG issues and supports the company's service areas in implementing the measures and reaching the targets set out in the strategic roadmap for sustainability.

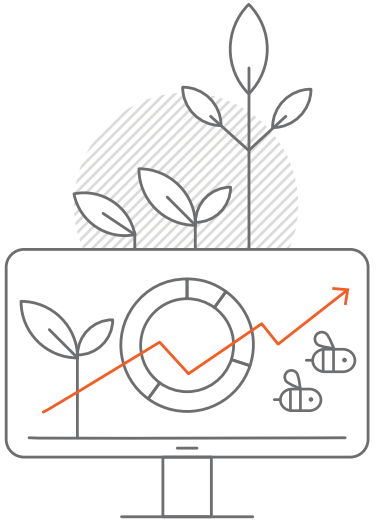
The steering group also monitors and assists in making sustainability a key part of business operations. The steering group meets at minimum eight times a year and a memorandum of its meetings is composed and submitted to the company's Management Team.

Pohjola Insurance works with its stakeholders to promote action on environmental, social and governance issues. This cooperation includes, for example, dialogue with stakeholders, influencing social issues, and raising awareness. Pohjola Insurance wants to promote sustainability in society at large and to work with various actors to achieve this goal.

ESG Data and its Development

Developing ESG data is crucial not only for transparent reporting and meeting regulatory requirements, but also for developing more sustainable business practices and measuring their effects. Pohjola Insurance has set an objective to develop comprehensive ESG-related data to support business development, reporting, and risk management.
To achieve this, Pohjola Insurance has developed a road map for ESG data development that identifies the current state of ESG related data, the needs, and the necessary development measures for data collection, management, and utilization.

In ESG data management, Pohjola Insurance uses OP Financial Group's data governance model, which ensures that data is processed and managed in an appropriate and lawful manner that supports the Group's strategic goals. Furthermore, OP Financial Group has developed specific data management tools for ESG data to enable efficient processing and provide transparency across the organisation.



Principle 2

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

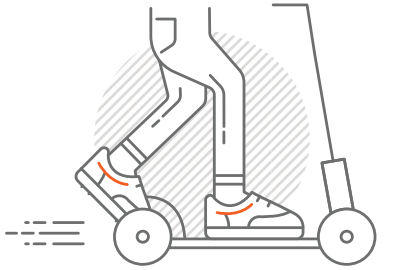
Pohjola Insurance's Commitment to Sustainable Partnership

Pohjola Insurance is committed to working with customers and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions. As stated in Principle 1, Pohjola Insurance works extensively with customers and partners to promote and enhance a range of relevant sustainability themes. As a valuable risk management partner for its customers, Pohjola Insurance assesses customers' potential risks, helps them prevent losses, and ensures a smooth and efficient claims settlement process. Pohjola Insurance also continuously strives to develop sustainable business frameworks in cooperation with its partners and customers, for example by developing operating models that support the circular economy in different business segments.

Pohjola Insurance's Partners Sustainability Requirements

Pohjola Insurance has an extensive partner network consisting of various partners. To ensure the sustainability of partners, Pohjola Insurance uses OP Finacial Group's Supplier Code of Conduct to which all partner companies commit. OP Financial Groups Supplier Code of Conduct requires service providers and other partners to comply with local laws, regulations and good business practice, as well as OP's values and code of conduct.

The requirements include compliance with human and labor rights, occupational health and safety, business ethics, the environment and sustainability. Partners must also ensure that their own suppliers and subcontractors comply with these requirements.



Ghost Scoot was a powerful responsible corporate citizen action that emphasised proactive traffic safety work.

Ghost Scoot Initiative

Pohjola Insurance's Ghost Scoot initiative prompted discussion about scooter safety and was directed especially at young people. White ghost scooters in the street scene reminded young people about the risks related to scooters, and content produced by influencers conveyed the message directly to the target group. The campaign reached 6.8 million, attracted 1.6 million views on social media and gave rise to active discussion about safer traffic behaviour among young people.

Ghost Scoot was a powerful responsible corporate citizen action that emphasised proactive traffic safety work and Pohjola Insurance's commitment to the wellbeing of young people – showing that creative communication methods really can influence attitudes in society.

Competence Development Through Customer Engagement

In order to succeed in implementing sustainability across Pohjola Insurance's value chain, active collaboration with its customers is needed – both private and corporate ones. Pohjola Insurance wants to raise awareness of sustainability risks among its customers and encourage them to better acknowledge the risks impacting their lives and businesses.

For example, Pohjola Insurance organised a webinar in 2024 about regenerative business for its SME customers. The webinar included practical tips on how to shift towards regenerative thinking, but also discussed how Pohjola Insurance can play its part as an insuring partner. In addition to customer discussions and webinars, Pohjola Insurance communicates sustainability through media and articles. For the private customers, Pohjola Insurance has published multiple articles about circular economy in our claims settlement services.

To measure the impact of these communication actions, Pohjola Insurance has included sustainability questions in customer satisfaction surveys. For private customers, one measured aspect is the willingness to repair property with recycled spare parts. The survey also included questions about how customers perceive Pohjola Insurance's sustainability compared to its main competitors. Based on the studies, customers' attitude towards sustainability is positive and they see Pohjola Insurance as one of the most sustainable insuring companies in Finland. For corporate customers, we monitor customer expectations through customer studies and dialogue.

Principle 3

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

Dreams

Pohjola Insurance together with several cooperative banks, supports the Children and Youth Foundation's Dreams program, which aims to strengthen young people's wellbeing and faith in the future. The results of the Dreams program have been excellent, and the activities have generated great enthusiasm in schools across Finland. During 2024, Dreams has reached more than 110 700 young people and more than 6 400 teachers during 132 school visits in different locations across Finland.

Dreams reached 110,700 children and youth, fostering their faith in the future.

Mental Well-being for Young Athletes project

In summer 2024, Pohjola Insurance and MIELI Mental Health Finland launched a cooperation aimed at strengthening the expertise of coaches and parents in supporting the mental well-being of young people through the Mental Well-being for Young Athletes project. The cooperation aims to promote comprehensive safety in sports activities and to keep children and young people engaged in sports.

Mental Well-being for Young Athletes project provides online courses and training materials to support coaches and parents in strengthening young people's mental well-being in a sporting environment. We work together with 20 sporting federations partners which are committed to disseminating the training materials to parents and those involved in coaching children and young people, and to supporting the activities in terms of communication.

Highlighting important themes and promoting them concretely through cooperation has been seen as very important in the sports federations and the feedback from, for example, youth coaching officers has been excellent.

Together with 20 sporting federation partners and MIELI Mental Health Finland, Pohjola Insurance is promoting mental wellbeing in youth sports.

Sports Advisor service

With the Sports Advisor service, Pohjola Insurance guides sports clubs and coaches in the prevention of typical sports injuries. In addition to sports injuries, training will increasingly focus on rest, sleep and nutrition, which also have a preventive effect on injuries.

In 2024, more than 1900 coaches and activists from children and youth sports clubs benefited from the Sports Advisor service. The feedback received from the Sports Advisor service has been very positive. Respondents to the feedback survey have found the Sports Advisor service visit useful for the club and the club's players, as well as for the development of coaching.

Improving Financial Literacy

As part of OP Financial Group, Pohjola Insurance participates in improving financial literacy in Finnish society. The target audience includes children and youth, and one way to interact with them is through OP's youth group. The group helps OP Group in understanding what young people expect from OP Group and Pohjola Insurance, and to create inspiring and engaging learning materials for the target audience.

Additionally, Pohjola Insurance is constantly developing its contracts and other documents to be more accessible and easier to understand. For example, Pohjola Insurance uses visualisations to show what customers can do when damage occurs. In 2024, Pohjola Insurance also started to publish maintenance videos to its corporate customers purchasing certain types of motor vehicle insurance products.

Not only does Pohjola Insurance collaborate with customers and other stakeholders, Pohjola Insurance is also providing materials to national non-profit organisations improving financial literacy. These organisations are widely spread in Finland, and they offer education material for all schools. In addition to the collaboration with non-profit organisation, as part of OP Financial Group, Pohjola Insurance is represented in a national financial literacy working group. These actions aim to make insurance more understandable and improve the insurance literacy of our customers, and more widely speaking, the Finnish society.

Principle 4

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles.

Pohjola Insurance discloses annually on its progress towards the UN Principles for Sustainable Insurance. The company also reports annually on its sustainability performance in line with the CSRD, PCAF and CPD reports, along with other ESG frameworks and commitments.

Pohjola Insurance also publishes news and articles regarding its sustainability actions in its website and social media channels.

Pohjola Insurance reports as part of OP Financial Group's reporting.

Attachments

OP Financial Group's Publications: OP Financial Group's Publications
Pohjola Insurance's UN PSI 2023: Pohjola Insurance's UN Principles for Sustainable Insurance 2023