

# 2022-2023

ALANDIA'S REPORT BASED ON THE UN PRINCIPLES  
FOR SUSTAINABLE INSURANCE (PSI)



MARINE INSURANCE ENTREPRENEURS

## About Alandia

Alandia is an insurance company with focus on Marine, Cargo, and Boat insurance. With 85 years of experience Alandia delivers swift and relevant service and marine insurance solutions that provide long-term security, reduce risk and resource utilization.

Headquartered on the Åland Islands and with offices in Helsinki and Stockholm Alandia employs 120 professionals. (For more information on the company, please visit: [alandia.com](http://alandia.com)).

## The UN Principles Alandia has committed to implementing in its operations

**Principle 1.** We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

**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.

**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.

**Principle 4.** We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles. (For more information on the UN Principles for Sustainable Insurance, please visit: [unepfi.org/insurance](http://unepfi.org/insurance)).



## Alandia and PSI

2022-2023

In spring 2021, Alandia joined the UN Principles for Sustainable Insurance (PSI) as the second Finnish insurance company. In June 2022 Alandia published its first public disclosure report.

This report is consequently the second annual report of Alandia and provides information on the work performed in implementing the Principles in Alandia's operations during 2022–2023.

The focus for the work during the year was implementing ESG into the updated company strategy, implementing ESG in the business planning process and as part of the follow-up process in the Management Team as well as promoting and executing the actions in the functions business plans.



## Identified and prioritized ESG issues for Alandia's business through materiality analysis

Level of impact to ESG-issues (impact materiality)	Very high					
	High		5. Risk selection 7. Selection of reinsurers and intermediaries	3. Product Development	1. Loss Prevention 2. Claims management	
	Moderate			8. Sales and marketing practices	4. Own operations	
	Low		9. Climate change mitigation and environmental initiatives		6. Responsible investment	
	No impact					
		No Impact	Low	Moderate	High	Very high

**Level of impact to Alandia's business success (financial materiality)**

Figure 1. Materiality assessment, Alandia

Alandia did a materiality assessment in 2022, which was done from a double materiality point of view (financial and impact materiality): i.e., what level of impact the issue has on Alandia's business success (financial materiality, x-axis) and what level of impact the issue has on ESG-issues (impact materiality, y-axis) and prioritized accordingly.

The nine ESG wholes in the materiality analysis was then assigned targets, actions, metrics, responsible function and linked to the relevant UN Principle and SDG.

## Chosen SDG:s relevant for Alandia's business

The relevant SDG:s for Alandia's business are:



## Implementing decided ESG approach in the updated company strategy

During early 2022, the Management Team started preparing a new company strategy and the worked started for implementing the decided ESG approach to the strategy according to the materiality assessment.

Alandia has now integrated ESG into the new company strategy in the form of Society as one of the four main stakeholders, by clearly stating in our strategy, that we are committed to act in a sustainable way by implementing UN PSI in our operations as well as continuing to implement the nine ESG wholes (based upon materiality analysis 2022) in the everyday business and business planning process.

The ambition for the implementation is for it to be done in a way which makes the development of the company's operations continuously more sustainable from the perspective of all stakeholders.

Alandia's function heads included the ESG targets and actions that were assigned to them in their business planning for 2023 in autumn 2022.

The follow-up of progress of these ESG wholes is done quarterly in the Management Team meetings. The first follow-up was in April 2023.

## Alandia Company Strategy

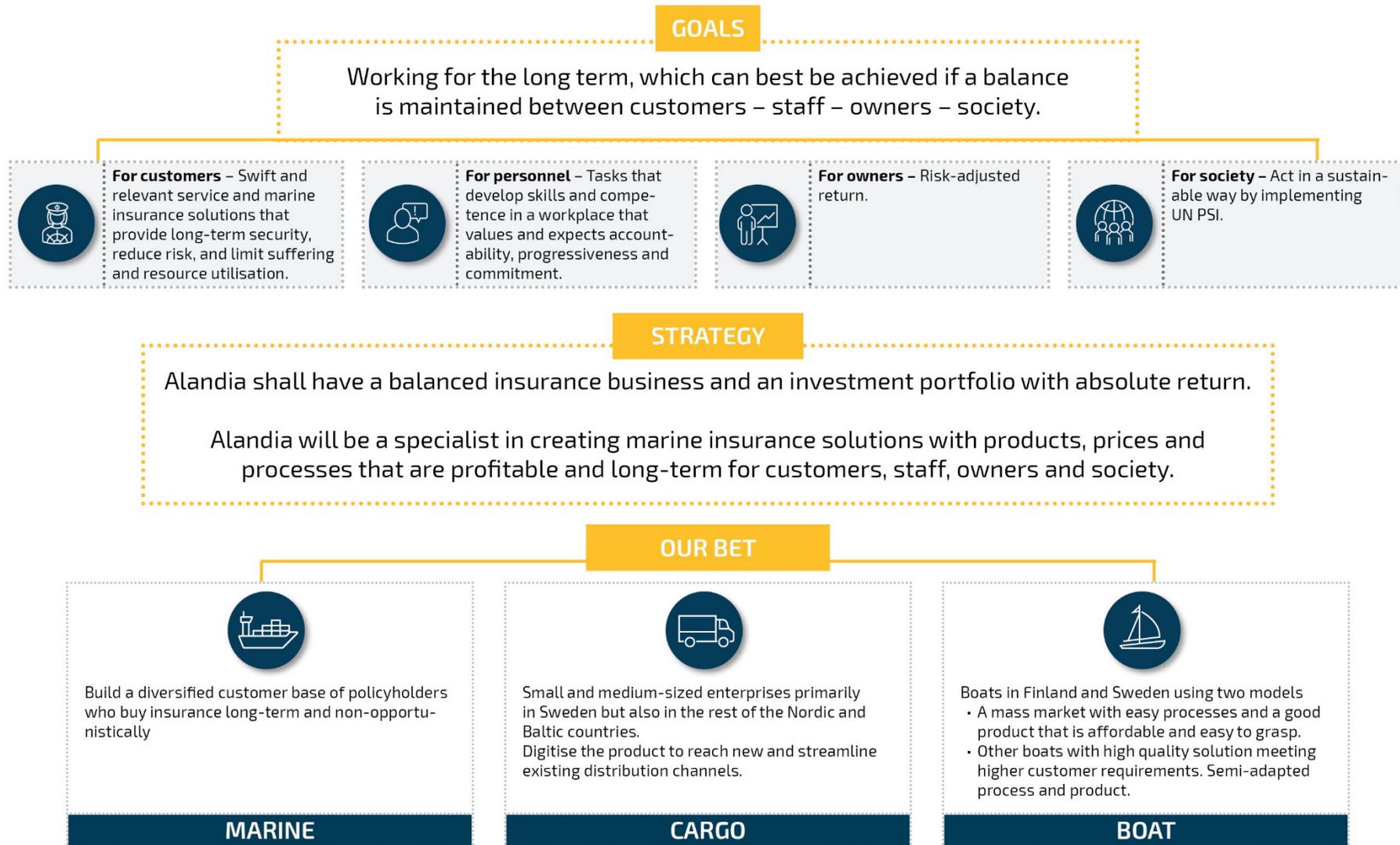


Figure 2. Alandia's company strategy (one slider)

## ESG development in Alandia's operations 2022-2023

During the year it has been clear that both the four UN PSI Principles and Alandia's nine ESG wholes with targets, actions and metrics are ambitious and will require efforts and time to achieve.

The company has progressed fairly good with targets, actions and goals, which are clear and defined and mostly limited to one function.

What has been more difficult to promote are targets, actions and goals related to complex processes and several functions.

This suggests that more focus must be put on integrating ESG in the company's business model and business planning. This should facilitate governance towards sustainability and the anchoring and prioritization of measures as well as handling trade-offs vis-à-vis sustainability goals.



## Alandia's nine ESG wholes according to materiality analysis

### 1. Loss Prevention

ESG Topic	ESG Priorities	ESG Approach	SDG connection
<p><b>Proactive Loss Prevention</b></p> <p><b>Approach:</b></p> <ul style="list-style-type: none"> <li>Improving operational safety on key accounts which results in a long-term economic gain (BtB)</li> <li>Focusing on customers behaviour that decrease claims (BtC)</li> </ul>	<p><b>Environment:</b></p> <ul style="list-style-type: none"> <li>Minimizing environmental damages, fuel consumption, greenhouse gas emissions, materials usage (spare parts) and damages to cargo transported.</li> </ul> <p><b>Social:</b></p> <ul style="list-style-type: none"> <li>Preventing safety incidents and mitigating impacts of damages to people's wellbeing or loss of life.</li> </ul> <p><b>Governance:</b></p> <ul style="list-style-type: none"> <li>Preventing economic losses caused by property damages.</li> </ul>	<p><b>Target:</b></p> <ul style="list-style-type: none"> <li>To support safety culture and help key customers implementing measures to reduce number and costs of claims (BtB)</li> <li>To decrease claims frequency (BtC)</li> </ul> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>Develop a process to define key accounts from loss prevention perspective together with Claims and Underwriting</li> <li>Conduct customer projects by sharing best practices, providing instructions and procedures, and training.</li> <li>Develop a process of reaching out to customers to help them implement measures to reduce the number and costs of claims</li> </ul> <p><b>Metrics:</b></p> <ul style="list-style-type: none"> <li><b>Number of customers with active customer projects per year and claims frequency and costs with these customers (BtB)</b></li> <li><b>Number of wider Loss prevention activities</b> (workshops, advice library, industry presence (Cefor/IUMI), committee/board membership) (S&amp;G impact))</li> <li><b>Number of Loss prevention actions (Number of reached customer/action) (BtC)</b></li> <li>Impact review (C/R, L/R of the customer)</li> </ul>	<p><b>SDG 14.</b> Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p>
<p><b>Responsible: Loss Prevention function</b></p>			
<p><b>PSI 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.</b></p> <p><i>Clients (possible actions)</i></p> <ul style="list-style-type: none"> <li>Dialogue with clients on the benefits of managing ESG issues and the company's expectations and requirements on ESG issues.</li> <li>Provide clients with information and tools that may help them manage ESG issues</li> <li>Encourage clients and suppliers to disclose ESG issues and to use relevant disclosure or reporting framework</li> </ul>			

## Risk Management at the core of Loss Prevention

The Loss prevention function has concentrated on raising awareness both internally and externally through communication with colleagues, collaborators, and customers on ESG considerations and has been integrated into loss prevention presentations and deliverable programmes. Risk management is the core of loss prevention, and Alandia's Loss prevention work shoulder-to-shoulder with customers to develop and support a professional safety culture which integrates environmental, social, and governance best practices. This can be seen, for example, through Loss prevention's work to support customers in navigating their way along the route to decarbonisation, and through our course development, workshops and webinars addressing social sustainability issues.

We have come a long way over the last year in terms of adopting ESG as a mindset which feeds into our way of working and how we develop processes. Loss prevention have fine-tuned the methods of defining key accounts together with Claims and Underwriting, and the function's approach to conducting customer projects involves new elements of analysis, providing technological solutions, and engaging customers on long term work which has lasting positive effects, rather than campaigns.

Our progress toward the goal of helping key customers implement measures to reduce the number and cost of claims involves a target number of customer specific cases to commence each year, which we have already initiated, and we will continue to progress with. Naturally, it takes time for the results of the customer specific programmes to show in Alandia's statistics, for example in terms of the loss ratio, however we can confirm that the safety culture maturity measurement is increased after we have worked with a customer, and we see improvements from the implementation of tools such as the Real Time Safety system.

This year Loss prevention has been involved in 14 condition surveys, run 5 workshops, 2 officers conferences, released 17 pieces of written guidance, participated as guests in 7 different webinars/podcasts, and produced 9 of our own podcasts bringing our total downloads to 1,738. In addition to this we have had an industry presence, for example on committees or in projects, on 22 different occasions, including cross industry collaborations.

Loss prevention also contributes to Alandia's Boat segment, where it contributes to the release of advice and have been involved in events and presentations where it can influence safety culture in an impactful way, such as the opportunity to train the trainer.

During this period, Alandia has sent 4 (Sweden) and 3 (Finland) Loss prevention e-mails focusing on Loss prevention content to our customers. These actions have reached in average 8330 customers per action in Sweden and 3606 customers per action in Finland.

In addition to these actions, our 10 most popular online loss prevention articles in each country have an average of 5900 readers/article (Sweden) and 4529 readers/article (Finland). These include both our current customers and other readers.

## 2. Claims Management

ESG Topic	ESG Priorities	ESG Approach	SDG connection
<b>Claims management in a sustainable way</b> <ul style="list-style-type: none"> <li>Mitigating losses</li> <li>Promote sustainable choices in claims handling</li> <li>Promote that suppliers follow the same ESG practices that Alandia is endorsing</li> </ul>	<b>Environment:</b> <ul style="list-style-type: none"> <li>Minimizing environmental impact of claims</li> <li>Supporting environmentally sustainable choices (materials and spare parts)</li> </ul> <b>Social:</b> <ul style="list-style-type: none"> <li>Taking care of people impact in claims handling.</li> <li>Promoting and ensuring responsible working conditions at suppliers</li> </ul> <b>Governance:</b> <ul style="list-style-type: none"> <li>Preventing economic losses caused by property damages.</li> </ul>	<b>Target:</b> <ul style="list-style-type: none"> <li>To minimize ESG-impacts of incidents</li> <li>To know which yards, follow the same ESG practices that Alandia is endorsing and to prioritize ESG-certified yards</li> <li>To use ESG-certified repair partners, steer repair to certified partners</li> </ul> <b>Actions:</b> <ul style="list-style-type: none"> <li><b>Proactive actions in handling claims, correct choices, securing assets, choosing correct suppliers/3<sup>rd</sup> party partners</b></li> <li>Review of current process to select suppliers (clarifying what kind of certificates are available, setting own certificate/criteria)</li> <li>Promote ESG-certification of yards</li> </ul> <b>Metrics:</b> <ul style="list-style-type: none"> <li>Share of approved shipyards/suppliers with certified ESG management systems (ISO14001, ISO45001 or other)</li> <li>Share of claim cost spend on ESG-certified yards (BtC)</li> </ul>	<b>SDG 14.</b> Conserve and sustainably use the oceans, seas and marine resources for sustainable development <b>SDG 12.</b> Ensure sustainable consumption and production patterns.

**Responsible: Claims function**

**PSI 1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.**

*Claims management (possible actions):*

- Respond to clients quickly, fairly, sensitively and transparently at all times and make sure claims processes are clearly explained and understood
- Integrate ESG issues into repairs, replacements and other claims services

**PSI 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**

*Suppliers (possible actions):*

- Dialogue with suppliers on the benefits of managing ESG issues and the company's expectations and requirements on ESG issues
- Provide suppliers with information and tools that may help them manage ESG issues
- Integrate ESG issues into tender and selection processes for suppliers
- Encourage suppliers to disclose ESG issues and to use relevant disclosure or reporting framework

## Claims Management minimising ESG impacts of incidents

In the everyday work of the Claims function, Claims strives to minimise the impact on society when an incident occurs. A relevant part of this is to prioritize repairing instead of buying new parts when it is economically sustainable. Alandia also tries to find salvage value in damaged goods and property, for which we co-operate with several companies specialized in this. The Claims function has continuous follow up on how it performs.

### *Benchmarking*

Related to the Marine and Cargo segments Claims has, according to plan, reviewed closed cases to benchmark which yards our clients have used and what ISO certifications those yards have in place. It has also considered if a yard has put efforts in to their ESG work in addition to any ISO certification. The ESG work done had in a few cases an impact on how Claims has categorized the yards. The categorization is green when both the ISO certificates, (ISO 14001 – Environment ISO45011 – Health and safety) or ESG values were considered. It is yellow when the yard had some ISO certification in place and red when little or no information was to be found. The investigation was mainly based on public sources and our categorization might well change when we have more information.

We still need to conduct further investigation, but the benchmarking shows that about half the share of claim cost spent (46%) was on shipyards where both ISO certifications are in place. When it comes to the number of yards visited the share of “green” yards was somewhat lower (40%).

In accordance with plan, the next step is to analyse the yellow and red yards more in detail to better understand where they stand in their ESG work. When we have a better understanding of the situation, we will decide what steps to take.

Related to the Boat segment, a similar benchmarking work has commenced, and it will be finalized later this year.

Alandia as an insurer is not in a contractual relationship with shipyards or workshops, which is a factor to consider when and how to encourage the use of greener shipyards.

### *Clients and external service providers*

To safeguard that our Boat clients in Sweden get swift assistance when they are in distress, Alandia has contracted a service provider that has a 24/7/365 - assistance service. This co-operation is expected to reduce the suffering of our clients both financially and mentally. As assistance is always nearby and available it will minimize the damage to the environment and property. To encourage their subcontractors on ESG issues, our service provider has incentives in place.

The other external service providers that Alandia is in direct contract relationship with are limited to correspondents, surveyors, lawyers, or other experts. Claims has shared Alandia's values and expectations with its correspondent network both when it comes to ESG and through a Code of Conduct. We have been clear that we expect the same values and behavior from them as we demand from ourselves.

It has always been important for Alandia to be as quick, fair, and transparent as possible in its claims handling and decision-making process. This is however something that we have, and will put, even more focus on. ESG values, including taking care of people both as clients and casualties, are integrated into our daily work. We strive to contribute towards our goals as far as possible we can in our capacity as insurers.

We have included the 4 UN Principles in our presentation material directed at clients and business partners.

### *Going forward*

Alandia will continue to monitor the yards when it comes to categorization. We will consider how categorization can be developed over time. We are also working on our action plan to get a better picture of how to influence the next steps society may take.

Now we are in an evaluation and planning phase, but we will agree on and commence working on several specific actions during the coming quarter. Our actions cover different aspects of the claims management process, including education. The aim is to improve our ways of working and to better understand where and how we can make a difference. We want to maintain long-term relationships with our partners where we have a better possibility to make an impact by encouraging them to an even more sustainable approach.



### 3. Product Development

ESG Topic	ESG Priorities	ESG Approach	SDG connection
<b>Product development</b> <ul style="list-style-type: none"> <li>Product that is developed from ESG perspective</li> <li>Support emerging technology with positive influence on the environmental footprint.</li> </ul>	<b>Environment:</b> <ul style="list-style-type: none"> <li>Minimizing environmental impact</li> <li>Impact on environmentally sustainable choices (materials and spare parts)</li> </ul> <b>Social:</b> <ul style="list-style-type: none"> <li>Promoting and ensuring responsible working conditions at suppliers</li> </ul> <b>Governance:</b> <ul style="list-style-type: none"> <li>-</li> </ul>	<b>Target:</b> <ul style="list-style-type: none"> <li>To have a product offering that allows Alandia and clients to make sustainable choices</li> <li>To support emerging technology with risk carrying</li> </ul> <b>Actions:</b> <ul style="list-style-type: none"> <li><b>Sustainable insurance product and product development</b> (InsureTech, digitalization)</li> <li><b>Invest time and efforts in learning new technologies</b> (for instance data on how vessels with new technology perform) and insure vessels and boats with new technologies</li> </ul> <b>Metrics:</b> <ul style="list-style-type: none"> <li>Developed sustainable product</li> <li>Target for invested time &amp; money on learning new technologies, TBD</li> </ul>	<b>SDG 14.</b> Conserve and sustainably use the oceans, seas, and marine resources for sustainable development <b>SDG 12.</b> Ensure sustainable consumption and production patterns.
<b>Responsible: Product and price (BtC), Underwriting (BtB)</b>			
<b>PSI 1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.</b> <i>Product and service development (possible actions)</i> <ul style="list-style-type: none"> <li>Develop products and services which reduce risk, have a positive impact on ESG issues and encourage better risk management</li> <li>Develop or support literacy programmes on risk, insurance and ESG issues</li> </ul>			

The Management Team prioritized early that the focus for the nine ESG wholes under 2022-2023 will be on the most important ones according to the materiality analysis: 1. Loss Prevention and 2. Claims management, and hence the third ESG whole, 3. Product development, is on hold and has not been promoted during this report period.

## 4. Own Operations

ESG Topic	ESG Priorities	ESG Approach	SDG connection
<b>Sustainable business conduct in own operations</b> <ul style="list-style-type: none"> <li>Acting as a good corporate citizen</li> </ul>	<b>Environment:</b> <ul style="list-style-type: none"> <li>Minimizing environmental impacts and mitigating climate risks</li> </ul> <b>Social:</b> <ul style="list-style-type: none"> <li>Developing employee wellbeing, competencies and equal opportunities</li> <li>Promoting local community engagement and taking part of local society</li> </ul> <b>Governance:</b> <ul style="list-style-type: none"> <li>Ensuring Code of Conduct compliance and good corporate governance practices</li> </ul>	<b>Target:</b> <ul style="list-style-type: none"> <li>To get good scoring in ESG-ratings</li> <li>To be a carbon neutral by the year 202x</li> <li>To offer challenging work tasks with our values to be accountable, progressive, and committed</li> <li>To support seafaring community and participate actively to local maritime cluster activities</li> </ul> <b>Actions:</b> <ul style="list-style-type: none"> <li>Environmental management process in place for offices (green electricity, reducing footprint of offices)</li> <li>Start to measure CO2-footprint (GHG-inventory)</li> <li>Follow up and take active and continuous measures regarding employee wellbeing, equal opportunities and competence development</li> <li>Ensuring relevant ESG-competencies of personnel</li> <li>Report basic personnel related data on own employees</li> <li>Ensure good corporate governance practices</li> </ul> <b>Metrics:</b> <ul style="list-style-type: none"> <li>Sustainability Scores (for example Söderberg &amp; Partners Sustainability analysis)</li> <li>CO2-footprint</li> <li>eNPS</li> </ul>	<b>SDG 8.</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. <b>SDG 13.</b> Take urgent action to combat climate change and its impacts. <b>SDG 17.</b> Strengthen the means of implementation and revitalize the global partnership for sustainable development.
<b>Responsible: Head of HR, CLCO, CCO, Property Manager</b>			
<b>PSI 1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.</b> <i>Company strategy (possible actions):</i> <ul style="list-style-type: none"> <li>Establish a company strategy at the Board and executive management levels to identify, assess, manage and monitor ESG issues in business operations</li> <li>Dialogue with company owners on the relevance of ESG issues to company strategy</li> <li>Integrate ESG issues into recruitment, training and employee engagement programs</li> </ul>			

## Employee wellbeing and personnel strategy in the focus

During the year formalized actions regarding the employee well-being have been implemented. The Management Team process the results from each survey on a quarterly basis. Actions to drive improvements are on the agenda and the impact is assessed after the upcoming quarter. The personnel survey also incorporates equal opportunities and competence development. One outcome from the surveys is the implemented leadership program, implemented during Q2-Q3, with individual coaching sessions for all leaders in Alandia.

Looking forward, a new personnel strategy stating the way ahead will be formalized. Actions includes, among many things a strategic position on equal opportunities and inclusion that Alandia will bring to the table during the next year. With special regards to sustainability the personnel strategy bets on “sustainable relations with our employees, meaning we can perform in accordance with our values today, tomorrow and in the future.”

## Corporate Governance and Code of Conduct

Alandia’s corporate governance system is considered robust, reflecting the commitment to accountability, prudent business principles, and responsible decision-making. Alandia has implemented effective governance mechanisms that foster transparency, ethical behavior, and compliance. By maintaining a strong corporate governance system, Alandia provides a solid foundation for upholding ethical standards throughout the organization.

Specifically, the corporate governance policy includes instructions on how employees shall act if confronted with ethically difficult matters. These instructions serve as a guide for employees when faced with ethical dilemmas, enabling them to navigate these situations with integrity and transparency.

During the first half of 2023, Alandia updated the Anti-Money Laundering and sanctions policy to reinforce the commitment to best practices. The policy clearly states the commitment of the management to combating money laundering and adhering to EU, US, UK, and UN sanctions regimes. By aligning our practices with continuously developing industry standards, we aim to ensure compliance and promote a culture of financial integrity and transparency.

To further clarify Alandia’s commitments as well as expectations on internal and external stakeholders, a standalone code of conduct policy is being developed and on track to be completed during the second half of 2023. Looking ahead, Alandia will continue to engage employees through training and awareness programs to ensure a thorough understanding of the importance of ethical behavior.

## Start to measure CO<sub>2</sub>-footprint (GHG-inventory) & Environmental management process in place for offices (green electricity, reducing footprint of offices)

The Management Team decided during the year to further investigate GHG-inventory with the Finnish University of Applied Sciences, Arcada, after which goals can be created for Alandia's Property unit regarding the defined action: "Environmental management process in place for offices (green electricity, reducing footprint of offices)".

Alandia has received a recommendation from Arcada, which the company will take a stand on during the second half of 2023.

The recommendation includes a four-step action plan, which at the first stage includes to investigate how Alandia could quantify and report its scope 1 and scope 2 emissions as easily as possible.

Then, to carry out the work in collaboration with the employees to develop Alandia's target image and to integrate sustainability into the business model, which should facilitate governance towards sustainability and the anchoring and prioritization of measures as well as handling trade-offs vis-à-vis sustainability goals other than CO<sub>2</sub>e emissions. Here it is recommended to include all parts of the company's operations.

A third action is to carry out a qualitative survey of the current situation for scope 3 emissions after the second action has been implemented. The survey would provide answers to what the essential emission sources are and how they are linked to conversion strategies. This would result in qualitative and possibly quantitative reporting of Alandia's scope 3 emissions.

After this, Alandia would be ready to develop measures for emission reductions both within scope 1, 2 and 3 to achieve its updated target image. At this stage, it would also be determined how follow-up and reporting of emissions would be further developed in accordance with what is deemed reasonable to report and in what way.

## Ensuring relevant ESG-competencies of personnel

A mandatory training for the entire personnel is scheduled for the second half of 2023 to secure relevant ESG-competencies and awareness for the personnel.

## 5. Risk Selection

ESG Topic	ESG Priorities	ESG Approach	SDG connection
<b>Integrating ESG-issues into risk selection</b> <ul style="list-style-type: none"> <li>Having a clear standpoint to risk selection that includes ESG considerations (what to insure)</li> </ul>	<b>Environment:</b> <ul style="list-style-type: none"> <li>Promoting sustainable use of natural resources</li> <li>Minimizing environmental degradation</li> </ul> <b>Social:</b> <ul style="list-style-type: none"> <li>Promoting wellbeing of employees at vessels</li> </ul> <b>Governance:</b> <ul style="list-style-type: none"> <li>Ensuring responsible business conduct</li> </ul>	<b>Target:</b> <ul style="list-style-type: none"> <li>To avoid unsustainable activities through integrating ESG-issues into risk selection</li> </ul> <b>Actions:</b> <ul style="list-style-type: none"> <li>Develop a process for defining a criterion how to evaluate what is not sustainable activities and how to continuously implement this in Alandia's operations</li> <li><b>Include ESG considerations in risk appetite</b></li> <li>Update underwriting guidelines according to the steering document &amp; process for ensuring that the daily operations follow the steering document and guidelines</li> </ul> <b>Metrics:</b> <ul style="list-style-type: none"> <li>Implemented/not implemented</li> </ul>	<b>SDG 13.</b> Take urgent action to combat climate change and its impacts <b>SDG 14.</b> Conserve and sustainably use the oceans, seas and marine resources for sustainable development
<b>Responsible: CFO, Commercial Director Marine &amp; Cargo, Commercial Director Boat</b>			
<b>PSI 1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.</b> <i>Risk management and underwriting (possible actions):</i> <ul style="list-style-type: none"> <li>Establish processes to identify and assess ESG issues inherent in the portfolio and be aware of potential ESG-related consequences of the company's transactions</li> <li>Integrate ESG issues into risk management, underwriting and capital adequacy decision-making processes, including research, models, analytics, tools and metrics</li> </ul>			

## ESG considerations included in Alandia's risk appetite

During the year, Alandia included ESG considerations in the company risk appetite by clearly stating in the appetite that Alandia must operate in a sustainable way by integrating ESG into both insurance and investment operations. For the insurance business, ESG must be integrated into underwriting guidelines for a sustainable risk selection and in guidelines for the purchase of reinsurance. For investment activities, ESG must be integrated into the investment plan. Regarding risk tolerance it is stated that Alandia in its operations must comply with external legal requirements, internal governing documents, and voluntary commitments (UN PSI) regarding ESG established by the board and CEO (Chief Executive Officer).

## Focus on risk appetite also in the Marine & Cargo segments

In the Marine and Cargo segments Alandia has clarified its appetite regarding insuring fishing vessels and animal transports. We aim not to provide insurance coverage for fishing vessels or companies potentially associated with illegal, unreported, or unregulated fishing (IUU). We also do not cover these kinds of fishing vessels due to an increased risk for fraud or other illicit activity.

[PSI Oceana fishing guideline](#) risk-based approach is applied on vessels representing higher risk. Fishing vessels outside Nordic countries are considered outside our risk appetite. Similarly, providing cargo insurance for live animal transports is outside our appetite.

Next, the Marine and Cargo segments are going to work on developing a process for defining a criterion on how to evaluate non-sustainable activities and how to implement this in Alandia's operations.

## 6. Responsible Investment

ESG Topic	ESG Priorities	ESG Approach	SDG connection
<b>Integrating ESG-issues into responsible investment</b> <ul style="list-style-type: none"> <li>Ensuring long-term sustainable investment returns</li> </ul>	<b>Environment:</b> <ul style="list-style-type: none"> <li>Mitigating climate change, minimizing environmental degradation and promoting sustainable use of natural resources</li> </ul> <b>Social:</b> <ul style="list-style-type: none"> <li>Promoting social sustainability, respect for human rights, equality and wellbeing</li> </ul> <b>Governance:</b> <ul style="list-style-type: none"> <li>Promoting fair business practices, anti-corruption and good governance</li> </ul>	<b>Target:</b> <ul style="list-style-type: none"> <li><b>To ensure long-term sustainable investment returns</b></li> <li>To make sustainable investments</li> </ul> <b>Actions:</b> <ul style="list-style-type: none"> <li>Investment policy including ESG. Sustainable investing principles defined with actions</li> <li>There is a sustainability screening process in place covering the whole investment portfolio</li> </ul> <b>Metrics:</b> <ul style="list-style-type: none"> <li>Implemented/not implemented</li> <li>Share of portfolio by asset classes that follows the ESG criteria set out in the investment policy</li> </ul>	<b>SDG 8.</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. <b>SDG 13.</b> Take urgent action to combat climate change and its impacts. <b>SDG 17.</b> Strengthen the means of implementation and revitalize the global partnership for sustainable development.
<b>Responsible: Chief Investment Officer</b>			
<b>PSI 1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.</b> <i>Investment management (possible actions):</i> <ul style="list-style-type: none"> <li>Integrate ESG issues into investment decision-making and ownership practices (e.g., by implementing the Principles for Responsible Investment)</li> </ul>			



### Analysing and developing method and processes for evaluating investments from ESG perspective

During the past year, Investments has developed and formalized its method and processes for evaluating Alandia's investments from a sustainability perspective. We are now on track in achieving our target of having analysed 80 percent of the holdings in the portfolio in accordance with the new model in 2023.

Alandia's investments are mainly handled through external managers and the ESG work is an ongoing process for them. We are pleased to see most of the external managers to show continuous progress from different starting points, depending on whether they are large established fund companies or small fund companies providing niche funds. During the year, a few more of our fund companies have become PRI signatories, while some of the smallest players have begun formalizing their ESG processes.

During the past year, the EU Sustainable Finance Disclosure Regulation (EU SFDR) has had an impact on Investment's ESG work. The regulation is designed to make it easier to assess and compare sustainable investments, and in a standardized way provide transparency regarding the degree to which the investments consider environmental or social factors, make sustainable investments, or have sustainability as an objective. Products characterized as Article 8 promote social and/or environmental characteristics and Article 9 products have a sustainable investment objective.

We do not have an explicit requirement that our funds need to be Article 8 or 9, but it is something we pay attention to in our selection process, and it provides a good starting point for discussions about sustainability with fund managers.



## 7. Selection of Reinsurers and Intermediaries

ESG Topic	ESG Priorities	ESG Approach	SDG connection
<b>Selection of reinsurers and intermediaries with high ESG reputation:</b> <ul style="list-style-type: none"> <li>Working with the insurance partners which follow the same ESG practices that Alandia is endorsing</li> </ul>	<b>Environment:</b> <ul style="list-style-type: none"> <li>Mitigating climate change, minimizing environmental degradation and promoting sustainable use of natural resources</li> </ul> <b>Social:</b> <ul style="list-style-type: none"> <li>Promoting social sustainability, respect for human rights, equality and wellbeing</li> </ul> <b>Governance:</b> <ul style="list-style-type: none"> <li>Promoting fair business practices, anti-corruption, and good governance</li> </ul>	<b>Target:</b> <ul style="list-style-type: none"> <li>To engage insurance business partners promoting sustainable actions</li> </ul> <b>Actions:</b> <ul style="list-style-type: none"> <li>Implement a routine to always ask about reinsurers and brokers ESG work and approach. Store data with answers</li> <li>Consider possibilities to include an ESG clausal for what we consider not sustainable activities in agreements</li> <li>Define what we mean by sustainable actions that our intermediates can promote</li> <li>Define which ESG matters we ourselves want to promote and to what extent</li> </ul> <b>Metrics:</b> <ul style="list-style-type: none"> <li>Implemented/not implemented</li> <li>Share of reinsurers with known ESG approach</li> </ul>	<b>SDG 13.</b> Take urgent action to combat climate change and its impacts <b>SDG 14.</b> Conserve and sustainably use the oceans, seas and marine resources for sustainable development <b>SDG 17.</b> Strengthen the means of implementation and revitalize the global partnership for sustainable development.
<b>Responsible: Reinsurance manager, Business area managers (brokers, intermediaries)</b>			
<b>PSI 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</b> <i>Insurers, reinsurers, and intermediaries (possible actions):</i> <ul style="list-style-type: none"> <li>Promote the adoption of the Principles (PSI)</li> <li>Support the inclusion of ESG issues in professional education and ethical standards in the insurance industry</li> </ul>			

## Dialogue with reinsurance companies in the Marine segment

Alandia has more actively engaged with reinsurance companies and reinsurance intermediaries regarding ESG matters during 2022 and 2023. Already during 2021, an increased attention by reinsurers towards ESG was noticed and that development has continued during 2022 and so far during 2023.

In the dialogue with reinsurance companies and reinsurance intermediaries, Alandia promotes the adoption of, and outlines its commitment to the PSI programme and the steps that have been taken to implement measures to address the selected five SDGs. A more active approach to enquire regarding the measures taken reinsurance companies and reinsurance intermediaries in respect of ESG actions has also been taken.

## ESG to become an essential part of the Boat segment's partner channel 2024

ESG will be an essential part of partner/boat dealer channel focus in 2024. So far Alandia has recruited a person who has the interest and competence to create the business model for the future. The employee, who will be in charge of the partner collaboration for the Boat segment in Sweden, will start at Alandia in July 2023.



## 8. Sales, Marketing and Communications Practices

ESG Topic	ESG Priorities	ESG Approach	SDG connection
<b>Responsible sales and marketing practices</b> <ul style="list-style-type: none"> <li>Ensuring a clear and understandable sales process to explain clients what Alandia is selling</li> </ul>	<b>Environment:</b> <ul style="list-style-type: none"> <li></li> </ul> <b>Social:</b> <ul style="list-style-type: none"> <li>Ensuring provision of information on products and services with relevant ESG characteristics</li> </ul> <b>Governance:</b> <ul style="list-style-type: none"> <li>Ensuring compliance with responsible sales and marketing practices</li> </ul>	<b>Target:</b> <ul style="list-style-type: none"> <li>To ensure products and services information</li> <li>To ensure clear and transparent communication</li> </ul> <b>Actions:</b> <ul style="list-style-type: none"> <li>Implementing a process for both B2C and B2B to ensure that all customer communications are clear and understandable</li> <li>Educate communication skills for the whole staff on ESG issues relevant to products and services</li> <li>Define key ESG messages and implement into strategies and campaigns for B2B and B2C</li> </ul> <b>Metrics:</b> <ul style="list-style-type: none"> <li>Customer satisfaction to sales and marketing</li> <li><b>NPS (claims, sales)</b></li> <li><b>Brand survey result</b></li> <li>Implemented/not implemented</li> </ul>	<b>SDG 12.</b> Ensure sustainable consumption and production patterns.
<b>Responsible: Commercial Director Boat, Commercial Director Marine &amp; Cargo, CCO</b>			
<b>PSI 1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.</b> <i>Sales and marketing (possible actions):</i> <ul style="list-style-type: none"> <li>Educate sales and marketing staff on ESG issues relevant to products and services and integrate key messages responsibly into strategies and campaigns</li> <li>Make sure product and service coverage, benefits and costs are relevant and clearly explained and understood</li> </ul>			

Alandia's primary goal is to minimize the risk of an accident occurring at sea

Alandia's primary goal is to minimize the risk of an accident occurring at sea in all its segments. Taking knowledge of maritime safety is vital and an important theme for Alandia's marketing and communications activities.

Accordingly, in the Boat segment through the Bryggan Mentoring Program in the spring 2023, Alandia wants to welcome more people into the large boating community — and inspire a long and safe boating.

The marketing and communication themes in the Boat segment focus on giving valuable tips and advice to both experienced and much less experienced boat owners. The themes vary in everything from recycling, how to respect nature, how to reduce fuel consumption, good seamanship, tips and advice on boat care and the most important tools in the boat.

For the Marine segment, which insures over 9,000 vessels, from workboats, to fleets of passenger liners, tankers and car carriers, providing a comprehensive range of marine insurance cover and proficient in dealing with a complete range of claims, to provide beside a core team of experts at Alandia, a trusted, worldwide network of skilled advisors in case the customer needs a local specialist support. For this purpose, Alandia has bet on and renewed the search tool for the list of correspondents during 2022 on its website.

To serve, provide insights and resources to its customers navigating the Ukraine war, Alandia also built and released a hub on its website focusing on content related to giving updates on the evolving situation, the sanctions development, detailed export and import related restrictions and advice in general.



## 9. Climate Change Mitigation and Environmental Initiatives

ESG Topic	ESG Priorities	ESG Approach	SDG connection
<p><b>Supporting climate change mitigation and environmental initiatives relevant for the marine industry</b></p> <ul style="list-style-type: none"> <li>Involvement of industry and multi-stakeholder initiatives to enable decarbonization of marine industry and sustainable maritime development</li> </ul>	<p><b>Environment:</b></p> <ul style="list-style-type: none"> <li>Mitigating climate change and minimizing environmental degradation</li> </ul> <p><b>Social:</b></p> <ul style="list-style-type: none"> <li>-</li> </ul> <p><b>Governance:</b></p> <ul style="list-style-type: none"> <li>-</li> </ul>	<p><b>Target:</b></p> <ul style="list-style-type: none"> <li>Through active partnerships and involvement promoting climate actions and initiative to mitigate environmental impacts of marine industry</li> <li>To promote clean boating and actions to safe Baltic Sea</li> </ul> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>Support decarbonisation plans and initiatives to mitigate climate change impact of marine industry</li> <li>Participation of marine insurance climate and environmental initiatives (CEFOR, PSI, Poseidon Principles?)</li> <li>Be active in forums (Sweboat, etc.) promoting climate change mitigation agenda</li> </ul> <p><b>Metrics:</b></p> <ul style="list-style-type: none"> <li>Poseidon Principle footprint?</li> <li>Implemented/not implemented</li> <li>Number of actions on Climate change mitigation. (Number of working days)</li> </ul>	<p><b>SDG 13.</b> Take urgent action to combat climate change and its impacts.</p> <p><b>SDG 17.</b> Strengthen the means of implementation and revitalize the global partnership for sustainable development.</p>
<p><b>Responsible: Management Team</b></p>			
<p><b>PSI 3. We will work together with governments, regulators, and other key stakeholders to promote widespread action across society on environmental, social and governance issues</b></p> <p><i>Other key stakeholders (possible actions):</i></p> <ul style="list-style-type: none"> <li><i>Dialogue with intergovernmental and non-governmental organizations to support sustainable development by providing risk management and risk transfer expertise</i></li> <li><i>Dialogue with business and industry associations to better understand and manage ESG issues across industries and geographies</i></li> <li><i>Dialogue with academia and the scientific community to foster research and educational programs on ESG issues in the context of the insurance business</i></li> <li><i>Dialogue with media to promote public awareness of ESG issues and good risk management</i></li> </ul>			



Alandia's Loss prevention works closely with several key bodies/organisations such as IUMI and Cefor undertaking various roles and advisory positions. Loss prevention also support leading classification societies in promoting widespread changes toward better standards of sustainability in the maritime industry. This is done by sharing knowledge and learning from past occurrences, which has an effect on limiting future damage and becoming better at problem solving. The very concept of prevention means that the foundation of Alandia's Loss prevention work is to take a proactive approach as opposed to being reactive.

Furthermore, Alandia is an active member in the Board of Directors of Cefor and in Finance Finland's Sustainability Committee and Cefor's Sustainability Forum. Focus will onwards be to become active in Sweboat promoting important ESG matters related to boating in Sweden.

## Way Forward

The focus of Alandia's work within ESG and promoting the Principles will next be to prioritize awareness building and understanding of ESG within Alandia's Board of Directors, Management Team as well as to the personnel as a whole. Another priority is to continue to integrate ESG into the business planning process, possibly also to Alandia's business model, and continue with the quarterly follow-up of progress of the nine ESG wholes in the Management Team.

Alandia will also start to plan and build for CRSD and ESRS (European Sustainability Reporting Standards) readiness, which will support the work with the Principles and the nine ESG wholes.

As the work progresses, focus on communicating the ESG priorities externally to Alandia's customers, partners, brokers, and ship-owners will be of relevance. We will also continue our active work and efforts in IUMI, Cefor, Finance Finland, and Sweboat.

Finally, Alandia will also continue to publish the UN PSI sustainability report annually according to its commitment to UN PSI.

