

2021-2022

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

 **ALANDIA**


MARINE INSURANCE ENTREPRENEURS



About Alandia

Alandia is an insurance company with focus on Marine, Cargo and Boat insurance. With over 80 years of experience Alandia provides superior marine insurance expertise and claims service to its customers by creating long-term relationships in a committed and accountable way.

Headquartered in Aland islands and with offices in Helsinki, Stockholm and Gothenburg Alandia employs approximately 120 professionals (see: alandia.com).

About the UN Principles for Sustainable Insurance

The UN Principles for Sustainable Insurance (PSI) is an initiative directed at insurance companies that consists of four principles. All signing companies commit to reporting annually on their ongoing work, and publishing the results publicly (see: unepfi.org/psi/signatory-companies)

PSI is a global framework for sustainability that has led to the most comprehensive cooperation initiative to date between the UN and the global insurance industry. The principles are four and have been developed by the United Nations Environment Programme's Financial Initiative (UNEP FI) together with leading global insurance companies (see: <https://www.unepfi.org/psi/the-principles/>).

The structure of the principles is based on an insurance company's spheres of influence, addressing environmental, social and governance (ESG) issues—also known as sustainability issues—in the company's strategy and core risk management, insurance and investment activities; and working together with clients and business partners across the insurance industry value chain, and with governments, regulators and other key stakeholders to promote widespread action. The principles also promote accountability and transparency on how a company is managing ESG issues.

The Principles

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. (see: <https://www.unepfi.org/psi/the-principles/>)

Alandia and PSI

2021-2022

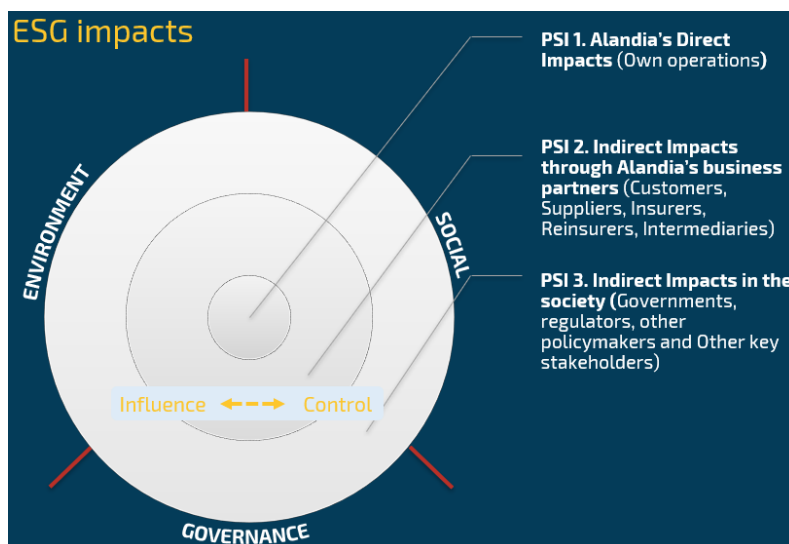
In spring 2021, Alandia joined the UN Principles for Sustainable Insurance (PSI) as the second Finnish insurance company. This report provides information on the work performed in 2021-2022 based on the four principles.

During the year, the Management Team analyzed and assessed Alandia's ESG risk appetite and selected and prioritized those of the UN's sustainability goals that are relevant to Alandia's operations. Furthermore, the Management Team accomplished a materiality assessment of the identified ESG issues.

Following the materiality assessment the Management Team integrated ESG into the updated strategy, which was prepared during spring 2022. It was decided that measurable goals and key figures for sustainability should be followed-up as part of the normal follow-up process.

Materiality assesment

The preparatory work before the materiality assesment included identification of material ESG issues for Alandia.



The work with identified relevant ESG issues continued with a classification around PSI Principles 1-3:

IDENTIFIED TOPICS	RELEVANT ESG-ISSUES
PSI 1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business	
Risk selection	Avoiding customers with unsustainable practices and contributing marine pollution (Illegal fishing vessels, controversial fishing practices; plastic pollution; animal welfare), human rights violations or unethical behaviour. Working together with shipowners to ensure proper working conditions, occupational health and safety management, labour contracts, collective bargaining, responsibility of manning agencies, flags. Underwriting principles (and guidelines) taking into account positive impact to the environment.
Claims management	Good governance of claims management process, mitigation of losses, handling claims in a sustainable way. Favor those suppliers have proper environmental management practices in place (materials, recycling, scrapping, waste, etc.) and their employees and workforce have safe working conditions and they comply with good governance practices.
Responsible investments	Taking ESG-issues into account in investment decisions and making sustainable investments.
Own operations	Code of Conduct, Good corporate governance. Employee wellbeing, competence development and equal opportunities. Environmental footprint of own operations. Identification, assessment and management of climate-related financial risks and opportunities. Local community engagement.
Sales and marketing	Sales process to explain clients what we are selling.
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.	
Loss prevention	Avoiding accidents to minimize environmental impacts. Working together with customers to protect environment and improve operational safety.
Selection of reinsurers and intermediaries	Selection of responsible insurance partners.
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.	
Climate change mitigation and environmental initiatives	Support decarbonisation plans and initiatives to mitigate climate change impact of marine industry. Participation of marine insurance climate and environmental initiatives (CEFOR, PSI, Poseidon Principles?).

The work then continued with a materiality assesment of identified topics in the Management Team:

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)

The materiality assesment was done from a financial and impact materiality point of view. The Management Team assessed 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.

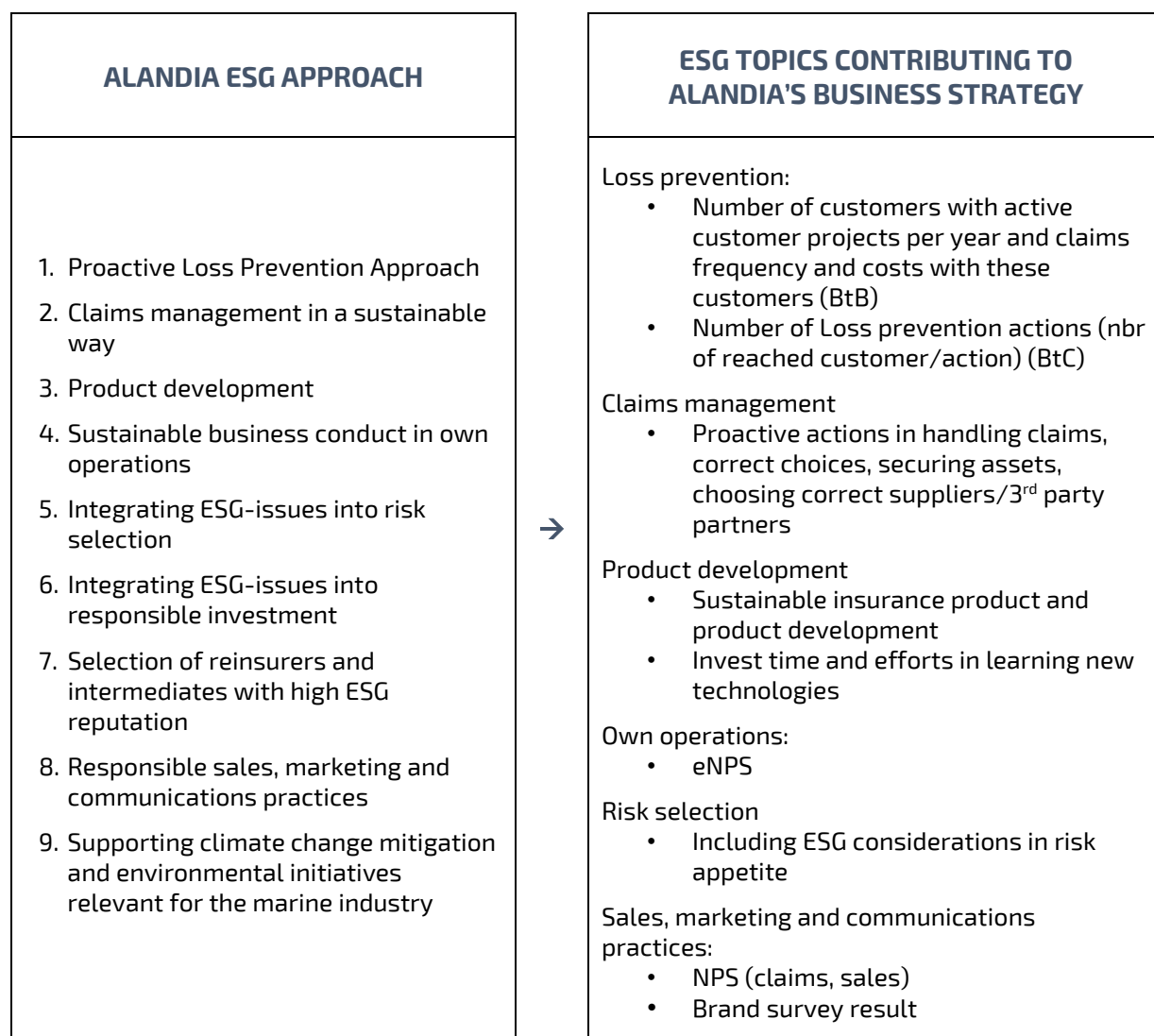
Chosen SDG:s relevant for Alandia's business

At the same time as the materiality assesment was done, the Management Team also prioritized the earlier broad list of SDG:s relevant for Alandia's business. As a result of the prioritization, the relevant SDG:s for Alandia's business are:



Implementing decided ESG approach in proposed new 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 assesment:



Actions related to the PSI principles

ESG APPROACH	PSI PRINCIPLES
<ol style="list-style-type: none"> 1. Proactive Loss Prevention Approach 2. Claims management in a sustainable way 3. Product development 4. Sustainable business conduct in own operations 5. Integrating ESG-issues into risk selection 6. Integrating ESG-issues into responsible investment 7. Selection of reinsurers and intermediates with high ESG reputation 8. Responsible sales, marketing and communications practices 9. Supporting climate change mitigation and environmental initiatives relevant for the marine industry 	<div style="text-align: center; margin-bottom: 10px;">→</div> <ol style="list-style-type: none"> 1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business. 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 3. We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues. 4. We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

The Management Team then decided on actions, measurable goals, KPI:s, responsible functions & responsible persons and a follow-up process for the identified ESG issues relevant for Alandia's business:

1. Loss Prevention

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

2. Claims Management

ESG Topic	ESG Priorities	ESG Approach	SDG connection
<p>Claims management in a sustainable way</p> <ul style="list-style-type: none"> Mitigating losses Promote sustainable choices in claims handling Promote that suppliers follow the same ESG practices that Alandia is endorsing 	<p>Environment:</p> <ul style="list-style-type: none"> Minimizing environmental impact of claims Supporting environmental sustainable choices (materials and spare parts) <p>Social:</p> <ul style="list-style-type: none"> Taking care of people impact in claims handling Promoting and ensuring responsible working conditions at suppliers <p>Governance:</p> <ul style="list-style-type: none"> Preventing economic losses caused by property damages. 	<p>Target:</p> <ul style="list-style-type: none"> To minimize ESG-impacts of incidents To know which yards follow the same ESG practices that Alandia is endorsing and to prioritize ESG-certified yards To use ESG-certified repair partners, steer repair to certified partners <p>Actions:</p> <ul style="list-style-type: none"> Proactive actions in handling claims, correct choices, securing assets, choosing correct suppliers/3rd party partners Review of current process to select suppliers (clarifying what kind of certificates are available, setting own certificate/criteria) Promote ESG-certification of yards <p>Metrics:</p> <ul style="list-style-type: none"> Share of approved shipyards/suppliers with certified ESG management systems (ISO14001, ISO45001) Share of claim cost spend on ESG-certified yards (BtC) 	<p>SDG 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p> <p>SDG 12. Ensure sustainable consumption and production patterns.</p>
<p>Responsible: Claims department</p>			
<p>PSI 1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.</p> <p><i>Claims management (possible actions):</i></p> <ul style="list-style-type: none"> 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 <p>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</p> <p><i>Suppliers (possible actions):</i></p> <ul style="list-style-type: none"> 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 			

3. Product development

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

4. Own operations

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

5. Risk selection

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

6. Responsible investment

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

7. Selection of reinsurers and intermediaries

ESG Topic	ESG Priorities	ESG Approach	SDG connection
Selection of reinsurers and intermediaries with high ESG reputation: <ul style="list-style-type: none"> Working with the insurance partners which follow the same ESG practices that Alandia is endorsing 	Environment: <ul style="list-style-type: none"> Mitigating climate change, minimizing environmental degradation and promoting sustainable use of natural resources Social: <ul style="list-style-type: none"> Promoting social sustainability, respect for human rights, equality and wellbeing Governance: <ul style="list-style-type: none"> Promoting fair business practices, anti-corruption and good governance 	Target: <ul style="list-style-type: none"> To engage insurance business partners promoting sustainable actions Actions: <ul style="list-style-type: none"> Implement a routine to always ask about reinsurers and brokers ESG work and approach. Store data with answers Consider possibilities to include an ESG clausal for agreements Define what we mean by sustainable actions that our intermediates can promote Define which ESG matters we ourselves want to promote and to what extent Metrics: <ul style="list-style-type: none"> Share of reinsurers with known ESG approach 	SDG 13. Take urgent action to combat climate change and its impacts SDG 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development SDG 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Responsible: Reinsurance manager, Business area managers (brokers, intermediaries)

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

Insurers, reinsurers, and intermediaries (possible actions):

- Promote the adoption of the Principles (PSI)*
- Support the inclusion of ESG issues in professional education and ethical standards in the insurance industry*



8. Sales, marketing and communications practices

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

9. Climate change mitigation and environmental initiatives

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



Way Forward

The ESG priorities are communicated as part of the communication of strategy to the personnel and further developed in the business planning process in autumn 2022 in all functions.

During the business planning process, the responsible persons and functions defined for implementing the ESG priorities start their work implementing the defined ESG priorities.

The ESG priorities will be communicated externally to Alandia's customers, partners, brokers and ship-owners.

In June 2022 Alandia publishes this first UN PSI sustainability report and will continue to do so annually.

