



GJENSIDIGE

Annual Report Gjensidige 2005

PREPARED FOR THE FUTURE

WHAT KIND OF FUTURE SHOULD WE BE PREPARING FOR?

Gjensidige is Norway's largest insurer, its market share and premium volumes are rising, the company is making money, and it has a growing number of loyal customers in both the business and household markets. Is it not now time to take it easy and be happy with what we have?

The answer has to be no. At Gjensidige we have a strong tradition of looking to the future, preparing for every conceivable eventuality, and acting on the basis of both customers' needs for security and our own goals.

In 2005 Gjensidige completed the first stage of a strategic journey. We set up the company Gjensidige Pensjon og Sparing so that we could offer occupational pensions to our existing general insurance customers in the business market, and we acquired Danish insurer Fair Forsikring as the first step in a Nordic expansion programme.

CHANGE OF TEMPO

Penalty-free mid-term transfers of general insurances were introduced in Norway at the beginning of the year. A change of tempo and a great deal of hard work were needed to rise to this challenge.

In order to offer Norway's very best Internet portal for general insurance, the company massively accelerated the technological development process in autumn 2005. Work originally planned for 2007 was rescheduled with a view to launching on 1 January 2006. By the end of the year we were ready, and customers can now carry out complete purchases of general insurance products from their own PCs.

New playing rules are opening up new opportunities in a market where competition continues to mount. New players are emerging, and some of our main competitors are taking every opportunity to approach our customers. It is nothing new for banks to sell insurance, but they have not previously been able to offer the customer the chance to switch insurer there and then.

This challenge is being met by ensuring that all of our customer-facing activities are pulling in the same direction and are being

coordinated across the different channels. Advertising, editorial coverage, Internet, local offices and call centres all need to send out the same message and so give us maximum penetrating power in the marketplace.

RETAIN AND DEVELOP

All of our activities are to build on our fundamental strategic challenges: growth and development are essential; our mutual ownership form is here to stay; our service and organisation are to remain close to customers; we are to retain ownership and control of the relationship with the customer; and we are to generate a competitive return on our capital.

With this as our point of departure, our strategy is two-pronged. One element is to retain and develop our relationship with existing customers. If we are to achieve this, we need to broaden our product range and offer our customers a comprehensive range of financial products.

The other element is more aggressive and entails growth at corporate level. We need to protect and strengthen our position as the leading general insurer in Norway.

Several of our main competitors are Nordic players with activities in two or more of our neighbouring countries. This enables them to realise economies of scale which they can exploit when competing for customers.

Our acquisition of Danish insurer Fair Forsikring was a first step towards attaining a position where we too can exploit economies of scale in order to assure our customers quality insurances at competitive prices.

Despite these strategic challenges, it is important that, in their day-to-day work, our employees concentrate on the most

“Everything we do, we do to safeguard our position and our existence”



“Our guiding stars of openness and honesty are non-negotiable”

important thing of all – providing the best possible customer service. The new rules on penalty-free mid-term transfers effectively mean that every day is a renewal day. Above all, this spells opportunities for Gjensidige.

HONESTY AND OPENNESS

One key aspect of our move into pensions and savings products is investing customers’ money in such a way as to generate the best possible return. But this is not just about maximising the financial gain. Customers need to feel sure that, as a customer-owned company, we conduct our investment activities in an ethically acceptable manner. Our guiding stars of openness and honesty are non-negotiable.

We have expressed our support for the UN Global Compact in order to strengthen and demonstrate our ethical commitment. The principles of the Global Compact provide a good guide when considering which companies we are to invest in.

Our membership of Transparency International is another clear sign that Gjensidige is serious about demanding certain ethical standards of the companies in which we invest.

SIMPLIFICATION

Inspired by the slogan “Simpler, quicker, better”, we made numerous improvements, both large and small, to our internal working processes in 2005. This work is ongoing, and more initiatives are planned, all so that we can perform our duties more simply, more quickly and more economically. We consider this important for maintaining and increasing customer satisfaction.

Our decentralised organisation, with local autonomy and local employees who feel that they have the expertise and authority both to handle and to approach the media locally, led to Gjensidige once again being the most widely covered insurer in the Norwegian media in 2005.

For us this is entirely natural. As the leading general insurer in Norway, Gjensidige aims to be actively involved in the public debate when it comes to the insurance industry and its regulatory framework. This also means that we need to keep our own house in order and make sure that we practise what we preach.

THE FUTURE

2006 is the year when we will take strategic steps to protect and safeguard our position, building on our strategic challenges. We will be doing this in order to be prepared – prepared for a future where Gjensidige is a major player in the Nordic insurance market.

OUR CUSTOMERS AND WHAT THEY THINK OF US

Gjensidige has the best name in the business and scores well on credibility both with customers and in the media. We have the highest levels of loyalty among our own customers, and are also a potential alternative for many of our competitors' customers if they were to switch.

BRAND STRENGTH

The watchman logo is one of the strongest brands in the Norwegian financial services market, Gjensidige was the most widely profiled insurer in the Norwegian media in 2005, and image surveys tell us that our credibility is high.

"Good editorial coverage is important for brand-building and strengthens the business in the longer term," explains CEO Helge L. Baastad.

But a strong brand alone is not enough. We must never allow ourselves to rest on our laurels when it comes to meeting customers' needs and expectations. As a customer-managed company, we have a particular obligation to ensure that we have the market's best understanding of customers' needs and purchasing patterns, and of how we compare with our competitors.

This too is not enough on its own. Besides understanding customers' needs, we need to know what changes we need to make, and how we can turn words into actions. It can all too often be the putting into practice which proves the sticking point, especially at a large company like Gjensidige.

In autumn 2005 we conducted a series of customer and brand surveys in order to gain the best possible picture of our customers and their needs and expectations of Gjensidige as an insurer. In spring 2006 we will be using the results to check that we have chosen the right way forward in terms of meeting customer requirements and maintaining a strong brand.

SO WHO ARE OUR CUSTOMERS, WHAT ARE THEIR NEEDS, AND WHAT DO THEY THINK OF US?

In many ways our customers represent a broad cross-section of the Norwegian population, but our customer and brand surveys have made it even clearer to us that the insurance market consists of customer groups with very different needs and preferences.

Although price is an important criterion when choosing an insurer, our surveys show that both household and business customers also attach importance to a number of other factors – factors such as local presence, customer relations and brand which help to give the customer a sense of security.

Customers have also made it clear that they want to communicate with their insurer via a number of different channels depending on the situation. But they expect to be recognised when they get in touch, whether they are phoning, visiting a local office or using the Internet. One clear trend that we are seeing is for customers to make more and more active use of the Internet and want to use this channel in more and more situations, including when buying insurance.

THE HOUSEHOLD MARKET

A number of recent surveys have confirmed that, on average, Gjensidige's customers are more loyal than competitors' customers. Gjensidige is also a potential alternative for many of our competitors' customers if they were to switch – we are their "natural second choice".

The choice of Gjensidige as a supplier seems to be closely linked to which company family and friends use, which suggests that we have many good ambassadors for the company among our customers. As the table below shows, our customers also attach more importance to a local presence when choosing a supplier than our competitors' customers do.

REASONS GIVEN FOR CHOICE OF SUPPLIER – HOUSEHOLD

(per cent)	Gjensidige	Others
Best price	39.8	44.6
Same as family	21.0	12.0
Other	16.7	19.1
Recommended	14.2	15.3
Office where I live/work	12.0	8.2
Good advisers	11.2	11.5
Arbitrary	10.7	8.1
Bought house	8.1	6.4
Changed car	4.4	5.8
Don't know	2.7	1.7
Contacted by salesperson	2.7	7.7
Good website	2.5	2.7
Advertising	0.9	1.3

In the household market it is normal to use criteria such as age and address when designing service models. However, it seems that such models provide little insight into the customer's actual service needs and preferences.

CORPORATE SOCIAL RESPONSIBILITY

Gjensidige's corporate social responsibility (CSR) covers the management and governance of the company (group and subsidiaries), people and skills, administration, operations and business development. Activities relating to loss prevention, sponsorship, alliances and collaborations with various organisations are also defined as part of our CSR.

Gjensidige is reporting on its performance on the basis of the Triple Bottom Line for the first time in this annual report. The aim is to present the value created by the company over and above its financial results more completely than before, and to report on social and environmental value creation as well as economic impacts.



The company's CSR/sustainability reporting has been integrated with its ordinary annual report. This is a natural choice given that CSR is an integral part of Gjensidige's everyday operations.

According to the European Commission's Green Paper, CSR is "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis".

This entails specific activities and commitments over and above legal requirements and contractual obligations, and participation in networks which the company itself chooses to join.

Gjensidige has a tradition of being involved, and currently contributes particularly to social value creation. The company also wishes to document financial initiatives and positive environmental impacts as a large service company and asset manager.

This report covers topics on the basis of the Global Reporting Initiative (GRI) guidelines for the financial services sector. Gjensidige aims to move towards this international standard, but this year's report does not provide a full GRI index. The GRI guidelines have recently been revised, and Gjensidige aims to comply with the new standard in future annual reports.

The sustainability report also includes elements of the company's intellectual capital report, which provides further information on non-financial value creation at Gjensidige. The intellectual capital report is also produced as a separate publication. The reports are also available on Gjensidige's website.

Gjensidige's social responsibility

Gjensidige is Norway's largest insurance company, and one in three Norwegians is a customer. This means that we have accepted responsibility for a vast number of people's financial security following accidents and injuries.

The company's principal role is to carry on insurance business profitably and skilfully in both the short and the long term by offering insurance and security products and services needed by society.

We also have a role over and above the purely economic. We are an organisation with an important social duty. This means that the company's managers and specialists get involved in the development of society and play an active part in shaping it. In particular Gjensidige has been involved in matters concerning business ethics and developments in the labour market, where we are concerned about growing disability rates.

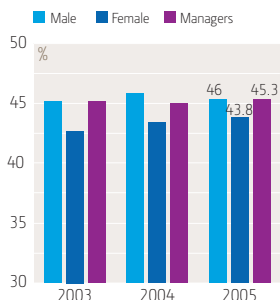
Developments in 2005

- The group management adopted a CSR policy. Work in 2005 focused on building an understanding of what this means for the individual employee's everyday work. It has been rolled out primarily in the central specialist departments.
- The company introduced ethical criteria for its equity portfolio, worth around NOK 10 billion. Gjensidige has opted for negative screening, which means that we do not invest in companies which do not meet our criteria. These criteria are grouped into human rights and labour standards, the environment, anti-corruption and the manufacture of certain types of weapon. At the beginning of 2006 a total of 27 companies had been excluded, none of them Norwegian. The most frequent basis for exclusion is breaches of human rights and labour standards.
- The company joined Transparency International and signed up to the UN Global Compact.
- There are strong ties between the company and organisations working to promote security and safety. Besides financial and technical

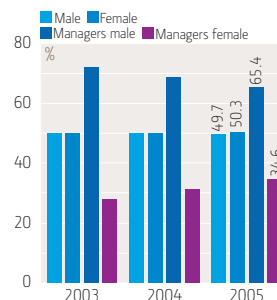
EVALUATION MANAGER PTU/ EMPLOYEE PTI



AVERAGE AGE



SEX DISTRIBUTION EMPLOYEES



initiatives, the company helped to develop new security products. See article on page 89.

- Openness and simplicity are important at Gjensidige. The aim is for our products and behaviour to conform to the general perception of what is reasonable and just. Work on ensuring that this is the case was a priority throughout 2005 and will continue in the year ahead. We are committed to making insurance a more transparent industry with straightforward and comprehensible products.

The future

Gjensidige will be taking its work on CSR even further in 2006. The idea is for the entire organisation to adopt an active stance on what it means for their particular work. We will continue to strengthen the company's position as a consultative body for the authorities and other decision-makers in areas such as health and business ethics. Gjensidige increased its share of the Norwegian insurance market in 2005 and also aims to grow through new business areas and geographical expansion outside Norway. This requires vigilance so that we never lose sight of the challenges in the markets we enter. To this end we will be working on contingency plans in 2006 to ensure that

we identify ethical problems and deal with them appropriately before committing to new business.

The company's key challenges and initiatives

Gjensidige aims to be a pioneer and trendsetter in the insurance business. We aim to influence both our own industry and decision-makers in value-related issues by raising specific matters ourselves or supplementing others where we believe that our knowledge is relevant. Insurance is a closely regulated business where laws and regulations provide clear guidance on how players are to behave in the market, in society and in relation to the individual customer. Nevertheless each individual player has an independent responsibility for listening to signals and accepting that society is evolving and that expectations of the industry are changing all the time.

Gjensidige scores well in attitude surveys relative to the rest of the insurance industry, but we still want to improve our reputation. We are working on this, partly by having our employees play a very high-profile role in the local business community and in the local media right across Norway. We believe that a better understanding of both the company and insurance in general will strengthen our reputation.

In 2005 we carried out a great deal of work within our own organisation. In 2006 we will also be strengthening contact with the world around us.

Organisation and reporting

Gjensidige's CSR strategy has been decided on by the group management. Day-to-day work is a line management responsibility in the same way as work in other commercial and strategic areas, and technical responsibility is held by a separate central unit.

Overall quality assurance of CSR work at Gjensidige takes the form of semi-annual reports to the central board of directors. See the separate section on corporate governance on page 22 for further information.

SOCIAL PERFORMANCE

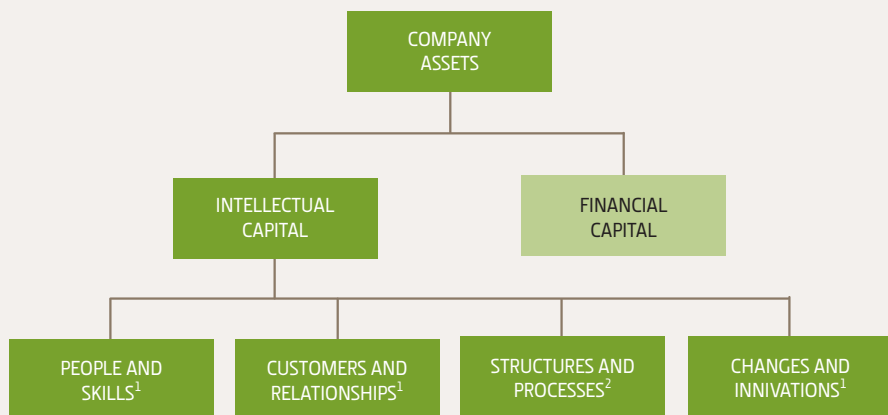
Gjensidige's social performance covers the skills and values of the people in the company (human capital), customers and relationships (customer capital), structures and processes (structural capital), and change and innovation (change capital). Social performance also includes the company's cooperation with and contributions to various external organisations, and a set of values which contributes positively to welfare and development.

PEOPLE AND SKILLS

Demographics

At the end of 2005 Gjensidige had 2,282 employees (1,135 men and 1,147 women).

EMPLOYEES	2005	2004
Men/women	50/50	50/50
Average years of service	12	11.3
Average age	44.9	44.6
Average age, men	46	45.8
Average age, women	43.8	43.4
Men under 40	27.8%	27.3%
Women under 40	37%	39.5%



1) See economical performance

2) See social performance



The increase in average age was lower than in recent years. The average age of new recruits during the year was relatively low at 33.3, and 42 of them were under 30.

A total of 115 employees left the company in 2005, giving staff turnover of 5.0 per cent, against 4.7 per cent in 2004. The annual employee satisfaction survey revealed that 2.3 per cent of employees were actively looking for work outside the company.

Management and managerial recruitment

Gjensidige had 255 employees in managerial positions at the end of the year, breaking down into the four management tiers as follows (tier 1 = CEO, 2004 figures in brackets):

Tier	Total	Men	Women
1	1 (1)	1 (1)	0 (0)
2	11 (11)	11 (11)	0 (0)
3	68 (70)	52 (54)	16 (16)
4	175 (161)	103 (103)	72 (58)
Total	255 (243)	167 (169)	88 (74)

The total number of managers increased by 12 during the year, and the number of female managers by 14 or around 5.5 per cent. Gjensidige's active recruitment policy to increase the proportion of female managers is working. The increase was limited to junior management.

EDUCATIONAL STANDARDS

Educational standards at Gjensidige are below the Norwegian average. Data from the 2005 employee satisfaction survey suggest that 53.8 per cent of employees had been through higher education, compared with 51.5 per cent in 2004. An active recruitment policy whereby all new recruits must in principle have completed at least two years of higher education is having a positive impact on these figures.

The data in the table come from the annual employee satisfaction survey. The response rate in 2005 was 90 per cent, but is still a source of uncertainty as we do not know whether the same people responded each year.

	2005	2004	2003
5 or more years of higher education	11.8	11.1	11.3
3-4 years of higher education	18.2	18.7	18.0
1-2 years of higher education	23.8	21.7	22.1
3 years of further education	32.0	32.8	34.0
1-2 years of further education	9.5	10.6	9.5
No further or higher education	4.7	5.1	5.1

E-LEARNING

Gjensidige has come further than any other business in Norway in the use of e-learning for internal training purposes. We have a portfolio of around 50 courses, and three people working full-time on the development of e-learning. The use of e-learning for skills development is growing,

and more than 22,000 hours were spent on our courses in 2005, an average of around 9.7 hours per employee.

PROFESSIONALISATION PROGRAMME

In 2004 a professionalisation programme was launched for employees working with large business customers and SMEs, and in 2005 the programme was continued for both this and new groups. The success of the programmes on the business side means that in 2006 corresponding programmes will be introduced for both household (local offices and call centres) and settlement staff.

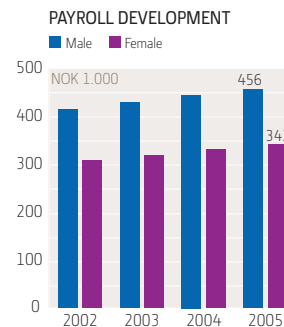
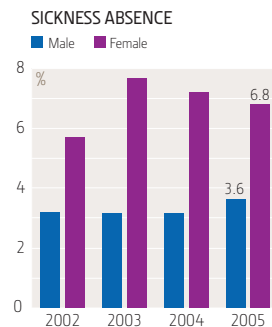
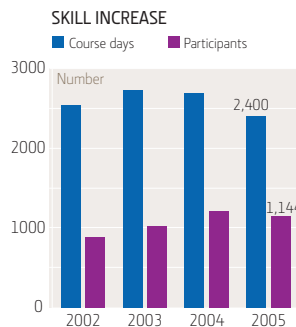
SICKNESS ABSENCE

Sickness absence totalled 5.2 per cent in 2005, an increase of 0.1 percentage points on 2004.

The company actively follows up cases of long-term sick leave. Cases of sick leave longer than 16 days fell from 4.6 per cent in the fourth quarter of 2004 to 3.8 per cent in the fourth quarter of 2005. The company is working actively to identify how it can achieve its overall 4 per cent target for sickness absence.

TIME-CHANGE

In 2005 Gjensidige enlisted the women's national handball team to motivate and inspire increased energy and health in the workforce. The Time-change programme was an internal drive to get people into better shape. National team coach Marit Breivik gave advice on exercise and diet.



INTERNAL HEALTH GAINS TRANSLATE INTO VACCINES

Employees at Gjensidige walked thousands of kilometres in 2005, and for every 20 kilometres a vaccine was donated to a child in Nepal via UNICEF.

The story behind employees walking, running, cycling and swimming their way "to the Moon" was part of an internal change process called Time-change. It began with all employees effectively walking or running from office to office the length and breadth of Norway. With 182 offices, this made a total of around 4,000 kilometres. Everybody could register each kilometre they walked on the Internet. It was estimated that this distance would take around four months, but in fact we hit the target within ten days.

Employees were glad to do this exercise. Around 1,300 employees regularly registered the distance they walked. This level of commitment led the chief executive officer to raise the bar: now we wanted to make the long trip all the way to the Moon, a distance of 380,000 kilometres. Departments started up keep-fit sessions, while others exercised with their family or alone. The final number of kilometres registered by the closing day was 297,000. Not quite as far as the moon, but we still achieved our aim of combining a humanitarian commitment with a sharper focus on our own health.

Internal irregularities

Gjensidige's employees are loyal and dependable. Nevertheless, to ensure that we have good contingency levels, the company began work in 2005 on identifying how to deal with suspected internal irregularities. This work is to result in a policy document with procedures and processes to prevent internal irregularities and state how to identify and investigate suspected infringements. This work is also to help reduce tolerance of all forms of irregularity. The document will be available in spring 2006 and will then be rolled out across the organisation.

Society

ETHICS AND SOCIAL RESPONSIBILITY

In the wake of the company adopting a new CSR policy in 2005, a need has arisen to discuss consequences, ambiguities and ethical dilemmas. The company's board wants to see a dynamic debate about Gjensidige's social responsibilities. In 2005 almost 200 employees discussed CSR and ethical dilemmas.

These discussions took place primarily at organised meetings and seminars, but also through an electronic mailbox on the intranet. These are areas with few absolutes, and discussion is important to create a common understanding of what the overall policy means when it comes to terms of insurance, product development, marketing and claims settlement practice.

PURCHASING

Gjensidige is one of Norway's largest buyers of goods and services, spending a total of almost NOK 6 billion in 2005. Over the last year the company has built up its own professional purchasing organisation at group level to manage an extensive portfolio of suppliers and contracts, and to develop guidelines for employees with purchasing and supplier responsibilities.

Besides the company's universal ethical guidelines which apply to all employees, a particular focus on ethical issues is required of employees with pur-

chasing responsibilities and dealings with suppliers. The guidelines will be ready for use in all relevant departments in spring 2006.

DIALOGUE AND KNOWLEDGE-SHARING

Gjensidige possesses a great deal of knowledge about the Norwegian people, acquired principally because it is important for our own business.

But this knowledge can also be useful for others, and so we spend a lot of time sharing it. Our top executives hold regular meetings with large customers, politicians and other decision-makers across Norway on topics of mutual interest. This work will continue nationwide.

LOSS PREVENTION

Gjensidige spends around NOK 30 million on loss prevention each year. Around 20 employees both centrally and locally arrange various activities under the company's own name or together with various partners, such as the Norwegian Automobile Association, the Norwegian Fire Protection Association, and the Norwegian Council for Road Safety.

TRANSPARENCY INTERNATIONAL NORWAY

Gjensidige joined Transparency International in 2005, an international anti-corruption coalition. It was founded internationally in 1993 and the Norwegian branch was opened in 1999. Its employees have made valuable contributions to our own work through talks, discussions and guidance. See also www.transparency.org.

GLOBAL COMPACT

Gjensidige signed up to the UN Global Compact in October 2005. Out of a total of 16 Norwegian companies and organisations supporting this initiative, four are in the financial services sector (KLP, Storebrand, DnB NOR and Gjensidige).

The Global Compact was set up at the initiative of UN Secretary-General Kofi Annan in 1999 in a bid to involve industry more closely in the UN's work. Companies signing up to the Global Compact

agree to support ten principles covering human rights, labour standards, the environment and anti-corruption. See www.globalcompact.org.

Structures and processes

NEW PC PLATFORM

In 2005 Gjensidige switched to a new PC platform called Mistral with the following benefits:

- Faster and more powerful PCs
- Increased availability through mobile platform
- Fewer version problems, making it easier to deal with the outside world
- Increased line capacity regionally
- More users of laptop PCs
- Better control of software
- Increased security

This has made our work "simpler, quicker, better".

Change and innovation

SKILLS LIFT

The Skills Lift project was launched at Gjensidige in 2005 as a development initiative to enhance the skills of both the individual employee and the company as a whole. The project is due to run until 2007.

The aim is to raise performance levels in the organisation by setting out what is required and expected of each individual employee. By the end of 2005 all employees had a personal scorecard. Minimum requirements have been defined for big professional groups, such as sales staff at Business and Household/Agriculture and settlement staff. Any gaps with respect to these minimum requirements are reported to the project.

The next phase will involve measures to develop individual employees on the basis of the targets on the scorecards.

INNOVATION

In association with DnB NOR, Gjensidige organised an accredited course in innovation at the Norwegian University of Science and Technology in Trondheim. The aim of the course was to give par-

ticipants an insight into modern innovation theory, with a particular emphasis on opportunities for and restrictions on innovation in established organisations. This was considered in the light of the latest organisation and management theories. Nine employees from Gjensidige took part.

In 2005 Gjensidige set up an innovation committee to serve as a discussion and advisory body for the company. The committee is to concentrate on our core business and consider, among other things, the following:

- Proposals for new insurance products at Product/Claims
- Proposals for new customer concepts at Marketing

Besides the chief executive officer and five vice presidents from Gjensidige, the committee includes two external representatives.

MOBILITY

To make everyday working life more efficient, Gjensidige is continuing its alliance with Move, a company working on mobility in working life and how to tap the potential of new technology, organisational forms and physical layouts in a department.

The steps that can be taken to improve the working day are considered from two different perspectives:

- The employer's role: good working conditions (technology, premises, terms of employment)
- The employee's role: efficient ways of working (mobility, cooperation, availability)

Based on these perspectives, the business can derive benefits in the form of an efficient and productive working day. Trials carried out in three different departments have revealed opportunities and areas for improvement. In some areas changes have also been made with good results, such as cost reductions and increased satisfaction/motivation. Benefits include a better work-life balance, less downtime, better interdisciplinary/interdepart-

THE GLOBAL COMPACT – THE TEN PRINCIPLES



HUMAN RIGHTS

- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 make sure that they are not complicit in human rights abuses.

LABOUR STANDARDS

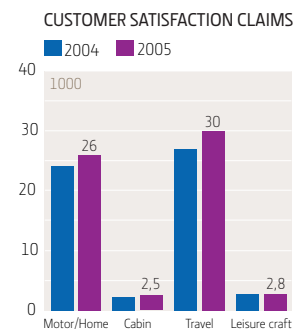
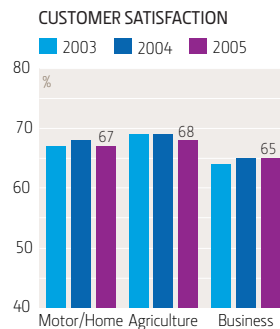
- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 the elimination of all forms of forced and compulsory labour;
- 5 the effective abolition of child labour; and
- 6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility; and
- 9 encourage the development and diffusion of environmentally friendly technologies.

Anti-CORRUPTION

- 10 Businesses should work against all forms of corruption, including extortion and bribery.



NORGE 2005

Gjensidige was one of the main sponsors of the Norge 2005 celebrations of 100 years of Norwegian independence. The festivities across the country tied in well with the company's local presence. As a large Norwegian company it was only natural to want to contribute to such a magnificent celebration of Norway's independence.

The sponsorship arrangement helped to profile Gjensidige as a player that has contributed to society over many years. We showed both customers and employees that we have a history to be proud of.

NORWEGIAN HANDBALL ASSOCIATION

Gjensidige has been main sponsor of the Norwegian national women's handball team since 1992. The sponsorship deal is used for external profiling and also extensively as inspiration for internal processes.

TUSSE HÅNDBALL

Tusse Håndball is a recruitment project for the Norwegian Handball Association. In 2005 no fewer than 35,000 children attended handball schools or tournaments around the country.

mental collaboration, greater job satisfaction and increased customer satisfaction. Measurements and follow-up will continue in 2006.

ECONOMIC PERFORMANCE

Besides its ordinary financial results (see page 42), Gjensidige contributes to society by creating value as a major employer across Norway, as a sponsor, through its involvement in business development, and as an active promoter of innovation and development.

BUSINESS DEVELOPMENT

Gjensidige is involved in business development across Norway. Its involvement generally falls into one of two categories:

- Direct investments (around NOK 100 million)
- Actively promoting innovation and development through networks, knowledge parks, seed companies, investment funds, etc

INVESTING IN NORWEGIAN ART

In 2005 Gjensidige decided to invest systematically in Norwegian contemporary art. The aim is to build up a "professional" collection over a three-year period which reflects the diversity of Norwegian art today. We regard this as a safe investment financially and also consider it only natural for Norwegian artists to be represented at important players in Norwegian industry.

INVESTMENT POLICY

Gjensidige manages more than NOK 40 billion on behalf of its customers and owners.

Its overall aim is to generate the best possible financial return within acceptable risk limits. We are a customer-owned company, and so our responsibility is first and foremost to ensure that customers' needs for insurance are met as best possible, and that there is an efficient, competitive market. We have also chosen a set of ethical criteria specifying what the companies in which we invest must not be involved in.

Together with other large investors we can help to turn the spotlight onto companies which do not satisfy our requirements for ethical conduct, and give them an incentive to change their behaviour. This is also based on an acknowledgement that our customers and owners expect Gjensidige to shoulder its social responsibility in this way. Gjensidige's portfolio of equities and equity funds is worth NOK 5.4 billion, which is around 16 per cent of its total investments.

We also work actively with the asset managers to which we award mandates. Our criteria are presented and explained as necessary, and our criteria are an absolute requirement for all discretionary mandates (where Gjensidige's investments are managed in a separate portfolio).

Where Gjensidige invests in an existing fund together with other investors, we do not have the same power to shape the investment mandate. In such cases we aim to use our influence to bring about change, and in some cases we may choose to use a different manager.

Monitoring companies to ensure that they do not violate our ethical investment criteria is a highly time-consuming process. Gjensidige has therefore chosen not to carry out this monitoring itself. We have long worked with GES Investment Services in Stockholm, an internationally recognised ethical screening consultant. In 2005 we chose Storebrand Kapitalforvaltning as our lead manager, and we now also use its resources in this field. GES and Storebrand Kapitalforvaltning together cover our entire investment universe, from Norwegian equities to investments in emerging markets. Gjensidige sets the criteria to be applied for the exclusion of companies, and decides for itself which shares to avoid on the basis of advice from these two suppliers.

Gjensidige's ethical investment criteria are grouped into human rights and labour standards, the environment, anti-corruption and the manufacture of certain types of weapon. The criteria in the first



category are based primarily on the UN's Universal Declaration of Human Rights, related UN conventions and ILO conventions in areas such as the rights of the child, sexual and racial discrimination in the workplace, child labour, freedom of association, and the right to collective bargaining.

The environmental criteria cover areas such as the dumping of hazardous waste and responsible transportation of this waste, and the minimisation of environmental impacts, for example from large development projects. The corruption criteria concern mainly active corruption of the public sector, such as bribery of civil servants. In the arms industry, the production of anti-personnel land mines, cluster bombs and nuclear weapons are excluded.

SPONSORSHIP AND PARTNERSHIPS

In 2005 Gjensidige invested NOK 30 million in sponsorship activities. These divide into a handful of central projects and a large number of smaller regional projects. The company also has a series of cooperation agreements with industry-related technical environments under both public bodies and NGOs. These activities amounted to more than NOK 40 million in 2005.

The sponsorship strategy focuses on activities for children related to our primary areas of operation (security, safety and health) and our values.

Customers and relationships

In 2005 there was a major increase in customer satisfaction and loyalty in all age groups. According to an EPSI Rating survey during the year, Gjensidige

lives up to customers' expectations, and loyalty is on the up. This is a marked improvement on 2004 when Gjensidige scored "average" throughout.

The reason for the improvement may be better communication than at the time of the last survey. Proximity to the customer and a growing proportion of positive media coverage probably also played a role.

SELECTED DATA FROM THE SURVEY:

CUSTOMER SATISFACTION INDEX	2004	2005	Change
Gjensidige	65.0	71.9	+6.9
Vesta	62.9	69.1	+6.2
If	62.9	67.2	+4.3
Others (incl SpareBank 1)	71.4	70.5	-0.9
Sector average	65.0	69.6	+4.6

LOYALTY	2004	2005	Change
Gjensidige	66.5	75.1	+8.6
Vesta	62.9	68.6	+5.7
If	62.8	66.3	+3.5
Others (incl SpareBank 1)	76.9	74.4	-2.5
Sector average	66.0	71.0	+5.0

Gjensidige obtains feedback on household customers' satisfaction with the company through EPSI Rating, an international alliance which measures and analyses customer satisfaction and developments in satisfaction with players in the business sector. These measurements have been carried out in Europe since 1999.

CUSTOMER COMPLAINTS

The number of complaints received by the company has been stable in recent years at 800-900.

A further 1,000 complaints are made to the Norwegian Bureau for Insurance Disputes. Some people complain to both. We aim to deal with complaints in a professional and customer-friendly way.

Complaints serve as an important source of feedback from customers. Each complaint represents an opportunity to put right possible errors and misunderstandings, and to ensure an appropriate and improved solution. Around 30 per cent of complaints received by Gjensidige are resolved in the complainant's favour. Where we choose to stand our ground and reject a complaint, it nevertheless provides an opportunity to present and explain our standpoint in more detail.

Complaints may reveal shortcomings or ambiguities in our terms. They may also reveal inopportune outcomes in individual cases which may go against people's perception of what is reasonable and just. Complaints can also highlight the need for new skills in our workforce, in which case training modules are developed and offered to the relevant units both centrally and in the regions.

For the last year all complaints have been registered systematically. This gives the company a better opportunity to analyse the information contained in them, and so means that situations which might initially be seen as negative can be translated into actions which benefit customer and company alike.



MEDIA COVERAGE

Gjensidige maintains a high media profile. Active media work has increased our exposure considerably in recent years. The company brings matters to the media's attention where we believe them to be of interest to consumers. Media coverage creates value for our insurance business, and leads to a better understanding of our industry and our operations.

EMPLOYEE SATISFACTION AND CUSTOMER SATISFACTION

Since 2004 Gjensidige has been working with TNS-Gallup on exploring possible relationships between its internal employee satisfaction surveys and customer satisfaction surveys.

The data for 2004 suggested that the following factors in the employee satisfaction survey impact on customer satisfaction:

- Employees feel that they have control over their work situation
- Employees feel that everyone is focusing on quality
- Employees are satisfied overall
- Employees feel that they have opportunities for variation in their work
- Employees are motivated to go that little bit further in their work
- Employees are not worn out and do not feel stressed in their work

In the light of these findings, the 2005 employee satisfaction survey included questions to test the hypothesis of these relationships in more detail.

The measurement was carried out looking at customer satisfaction on the basis of employee satisfaction. In other words, the average perception of Gjensidige as a set of satisfaction-related factors among all customer-facing staff in a given unit (household, agriculture, business and settlement) relative to the average perception of Gjensidige as a set of service/product/image factors among all customers linked to the same unit.

These analyses show that there must be some form of energy surplus in the customer-facing unit for it to have satisfied customers. This is found in environments characterised by:

- A freedom which unleashes creativity
- A good balance between work and play
- A sense of being looked after by one's manager (or others)
- Enough time to give customers the service they want
- Customer-facing staff feeling that they have opportunities for advancement in the company

These findings will, among other things, be reflected in the steps taken in our professionalisation programme, which is working on both managers' and other employees' autonomy over their working day.

The results of the survey were also analysed with respect to sickness absence in each department. This revealed that low sickness absence in a department is related to employees not feeling worn out, coupled with positive environmental factors such as:

- Others spreading positivity
- Feeling appreciated
- Positive environment
- Necessary control and opportunities for influence

Here too we can see the importance of autonomy over one's own working day, an opportunity which we must look to provide even in a world of ever increasing measurement and benchmarking. The connections between employee and customer satisfaction will be explored further in 2006.

ENVIRONMENTAL PERFORMANCE

Gjensidige's environmental strategy covers the operation of its buildings, environmental requirements for suppliers, and internal environmental initiatives.

Energy

Gjensidige owns office buildings, shopping centres and hotels across Norway. For many years the company has invested actively in long-term energy efficiency measures. In 1998 Gjensidige brought in an external energy consulting firm to help reduce energy consumption and evaluate a series of environmental factors affecting both the internal and the external environment.

Gjensidige helped to develop a tool for classifying buildings according to energy consumption and environmental impact. This is now managed by the Norwegian Building Research Institute.

Energy network

In 2004 Gjensidige was awarded funding by Norwegian energy efficiency body Enova to reduce

energy consumption by including 30 of its largest commercial buildings in an energy network. Through this network Gjensidige has undertaken to reduce energy consumption in these buildings by a minimum of 15 per cent by 2008. This corresponds to total energy savings of at least 5.7 MWh over a three-year period.

Systematic energy monitoring and several other initiatives were introduced in the period 1998-2005. The buildings in Gjensidige's portfolio span a total of 80,100 square metres. Energy consumption has been reduced by 8.7 MWh or 31 per cent. Average energy consumption is now 191 kWh/m², down from 292 kWh/m². The average for all office buildings in Norway in 2004 was 233 kWh/m².

Annual energy consumption at Gjensidige's head office in Oslo has been reduced by 4.6 MWh or 36 per cent since 1998, from 315 kWh/m² in 1998 to 196 kWh/m² in 2005.

The environmental benefits of this reduction in energy consumption were equivalent to around 6,525 tonnes of carbon dioxide in 2005 based on Markedskraft's emissions factor.

In 2006 buildings will be assessed individually with a view to identifying which measures will result in cost-effective energy savings, whether these be improvements to the carcass, technical facilities and/or operation of the buildings. Consideration is also to be given to converting from oil-fired heating to other energy sources, and from electric to water-borne heating.

Gjensidige's tenants are also made aware of their energy consumption through the energy network, and also benefit from the measures implemented and results achieved.

HEATING/COOLING

Our head office of 55,000 square metres has a heat pump which uses seawater for heating and cooling, and an oil-fired boiler to provide heating when temperatures fall below -3°C.

In the summer and autumn, the building is cooled exclusively with seawater through exchangers. Only the energy needed to operate the pumps is used.

We are working constantly on measures to reduce our energy consumption. This applies to all our properties.

ENVIRONMENTAL REQUIREMENTS FOR SUPPLIERS

We require all of our suppliers to meet or exceed official environmental standards at all times. Suppliers are to use their expertise to recommend environmentally friendly solutions to Gjensidige.

INTERNAL INITIATIVES

Gjensidige has offices across Norway, which means that many employees have traditionally had to travel extensively to meet their colleagues. Over the last two years the company has installed videoconferencing facilities at 23 offices. These are used for contact between the chief executive officer and his managers, by the regional management groups, and by other employees. Videoconferencing has a number of advantages, including a positive environmental impact in the form of savings on travel. Based on a conservative estimate of five participants in each videoconference, this corresponds to almost 7,000 journeys saved in 2005.

In 2005 the company replaced all of its PCs, printers, copiers and fax machines. A total of 2,750 PCs were retired; those which were suitable were readied for re-use, while others were disposed of in accordance with the guidelines for this type of waste. A total of 1,200 old printers, copiers and fax machines were replaced with 340 multipurpose machines which use less energy and also print on both sides of the paper as standard, which reduces paper consumption.

OVERALLS THAT SAVE LIVES

Gjensidige has developed new overalls with floating properties for fishermen in association with the Norwegian Fishermen's Union. The goal is to reduce the number of fatalities.

Between 1998 and 2005 an average of 10-11 fishermen lost their lives each year. Besides this high number of fatal accidents, there are also injuries on board when handling fishing tackle and processing the catch. This makes professional fishermen the most high-risk group in Norway for occupational injuries.

Gjensidige has been instrumental in the development of equipment to reduce the number and severity of both injuries to crew and damage to vessels. In November 2005 new overalls with floating properties were launched. This was the result of a development project in association with the Foundation for Scientific and Industrial Research at the Norwegian Institute of Technology, the Norwegian Fishermen's Union and equipment supplier Regatta AS.

Gjensidige has also helped to develop an emergency stop system which fishermen must always carry with them when working on deck. The E-stop system is a simple and robust emergency stop system which works remotely using radio signals.

Since 1 May 2005 Gjensidige has supplied E-stop systems for all boats below 12 metres insured directly with the company.

RESULTS FOR 2005 AND TARGETS FOR 2006

SOCIAL PERFORMANCE		STATUS 2005	TARGET FOR 2006
Customers/owners	SRI criteria for group	Introduced	Follow up
	Customer complaints to company	70 per cent settled internally	70 per cent settled internally
	Customer complaints to Norwegian Bureau for Insurance Disputes referred to Insurance Agreements Board	Approx 20 per cent 60-70 per cent correctly settled internally	70 per cent correctly settled internally
	Anti-corruption strategy	Started	Complete
	Loss prevention measures: flood control	Two projects under way	TBA
	Extra lessons for learner drivers: discount on insurance for those completing at least 2,000 km with instructor prior to driving test	–	Further development of concept with Norwegian Automobile Association
	Collaboration with Norwegian Automobile Association and Norwegian Association of Authorised Driving Schools on "Road safety in your business"	–	Training up regional resources
Staff	Employee satisfaction index	75	More than 70
	Sickness absence	5.2 per cent	4 per cent
	Proportion of female employees	50 per cent	50 per cent
	Proportion of female managers	34 per cent	50 per cent
	Female members of central board of directors	42 per cent	Unchanged
	Ethical rules	Revised	Consideration by board of directors/rollout across organisation
Society	Collaboration with Kirkens SOS helpline	Two key employees given training	Invitation to own staff/early retirement policy
	CSR policy	Formulated Rolled out in central specialist departments	Rollout across organisation
	Ethical guidelines for all employees with purchasing responsibilities/dealings with suppliers	Formulated	Consideration by group management/rollout across organisation
	Dealing with internal irregularities		Policy document completed
	Guidelines for customer care and relations		Project implemented
Society	CSR as topic on Internet		Website up
	Ethical requirements for contractors: requirement for OH&S plan + termination clause for use of illegal labour for contract work (also applies to subcontractors)	Introduced	Continue

ENVIRONMENTAL PERFORMANCE		STATUS 2005	TARGET FOR 2006
Suppliers	Environmental requirements for suppliers	Meet or exceed official standards, actively use environmental expertise to recommend solutions to Gjensidige	Continue
Energy	Consumption kWh/m ² 1998-2005 Consumption kWh/m ²	-31 per cent (8,700,000 kWh) 191	-15 per cent in 2008 (5,690,000 kWh)
	Energy savings at own large commercial buildings (166,000 m ²)	-1,000,000 kWh	Individual assessment of each building, consider converting to heating other than oil and electric
Products	Printers/copiers/fax machines	1,200 units disposed of in line with waste management guidelines and replaced with 340 new multipurpose machines with printing on both sides of the paper as standard	Reduced consumption of energy and paper Stipulated 10 per cent saving: NOK 100,000 Total paper consumption down 5 per cent
Waste	Recycling rate	262 tonnes – 49.48 per cent	Raise
	Water consumption at head office	22,572 m ³	Reduce to pre-2003 levels
	Safety manuals and documentation (fire, electrics)	Web-based solutions developed	All documentation for own buildings registered
Staff	Videoconferences: Environmental benefit: 0.05 tonnes of carbon dioxide saved per flight	1,500	10 per cent increase
ECONOMIC PERFORMANCE*		STATUS 2005	TARGET FOR 2006
Owners	SRI criteria for investments in equities New policy for distribution of profits	Negative screening	Continue Adopt
Staff	Employee satisfaction index Sickness absence	75 5.2 per cent	More than 70 4 per cent

*) See accounts and notes page 41