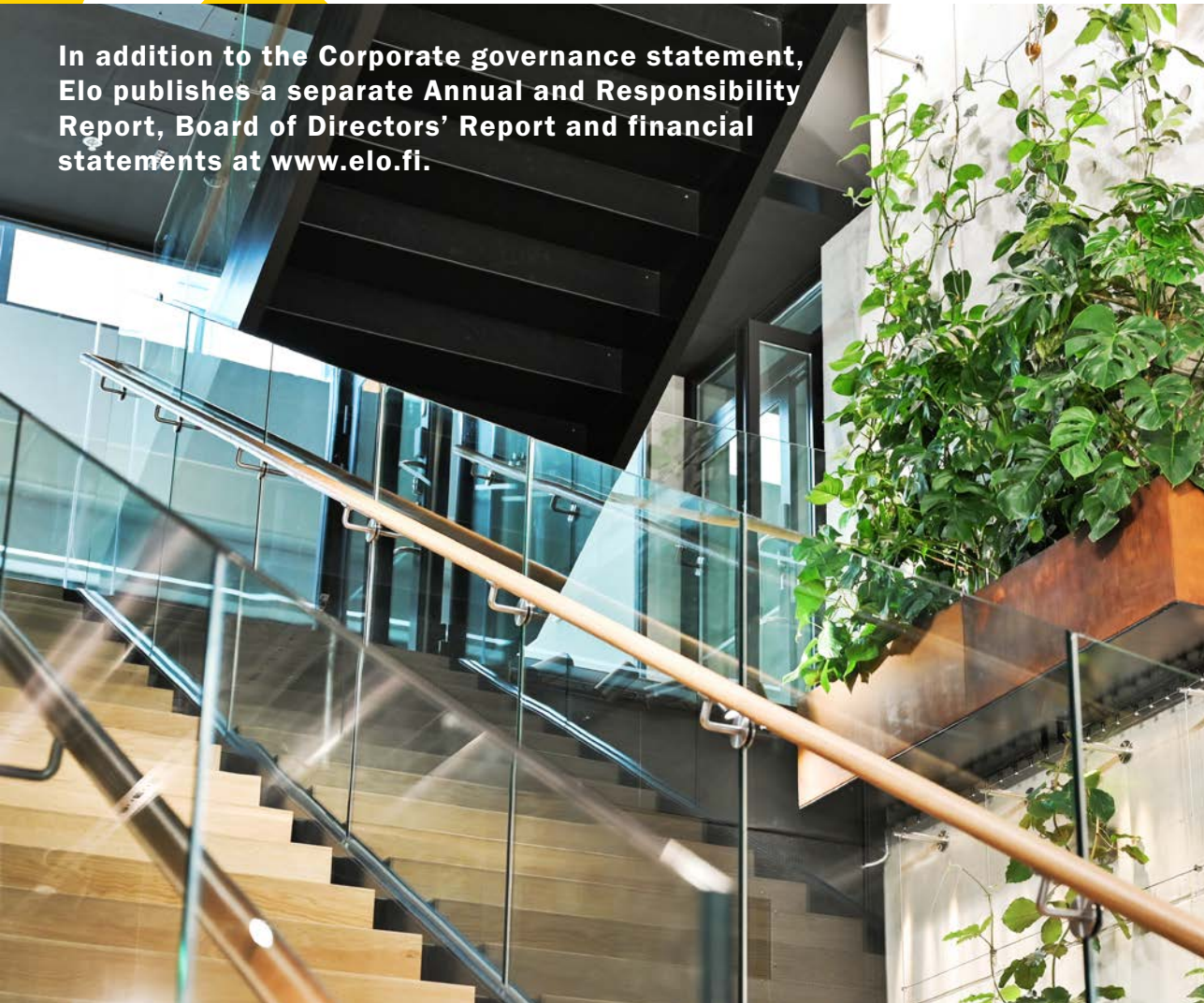


ELO PENSION COMPANY

# Corporate governance statement 2022

In addition to the Corporate governance statement, Elo publishes a separate Annual and Responsibility Report, Board of Directors' Report and financial statements at [www.elo.fi](http://www.elo.fi).



# Corporate governance statement

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# Corporate governance statement

Elo's Corporate Governance Statement for the financial period covering 1 January–31 December 2022 is based on the Finnish Corporate Governance Code 2020 for listed companies and is issued separately from the Board of Directors' report. Elo complies with the parts of the Governance Code that are applicable to the operations of employment pension companies.

Deviations from the recommendations of the Governance Code are presented in the early part of this Corporate Governance Statement. The Finnish Corporate Governance Code is available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

## 1. Deviations from the recommendations of the Corporate Governance Code

**Recommendation 5 – Election of the Board of Directors:** In accordance with the Act on Pension Insurance Companies (TVYL), the Board of Directors is elected by the Supervisory Board in accordance with the election procedure outlined in the relevant legislation and the Articles of Association.

**Recommendation 6 – Term of Office of the Board of Directors:** According to the Articles of Association, the term of the members of Elo's Board of Directors is three years.

**Recommendations 10, 16, 17 and 18 – Independence of the members of the Board of Directors and its Committees:** The number of independent members on the Board of Directors and its committees, and the evaluation of their independence are based on law (TVYL). The composition of the Board of Directors and the eligibility criteria of the members are prescribed by law. Members of the Board of Directors of Elo may include such persons who act in the operational management or administration of Elo's major client companies. This is attributed to the fact that Elo is a mutual company. The Chief Executive Officer may not be on the Board of Directors.

**Recommendation 22 – Decision-Making Relating to Remuneration:** According to the Act on Pension Insurance Companies (TVYL), decisions concerning the remuneration of the Board of Directors are made by the Supervisory Board.

**Recommendation 27 – Related Party Transactions:** Elo complies with the regulations on the related party transactions of employment pension companies in accordance with the Act on Pension Insurance Companies (TVYL). Moreover, in accordance with Elo's related party guideline, significant transactions whose counterparty is an entity over which a member of Elo's management exercises influence or control or in which one acts in a management position are forwarded to the Board of Directors to decide on.

Elo complies with the parts of the Governance Code for listed companies that are applicable to the operations of employment pension companies. The decision-making procedure concerning remuneration deviates significantly from that of listed companies, also with respect to the description of remuneration for governing bodies and reporting, as they are not handled by Elo's Annual General Meeting. The Board of Directors of Elo approves the description of the remuneration for governing bodies.

## 2. Annual General Meeting

The highest power of decision at Elo is exercised by the owners at General Meetings. The policyholders have the right to vote at General Meetings. In addition, an elected representative of the insured under each TyEL basic insurance policy has the right to vote.

The General Meeting decides on the number of Supervisory Board members and the number of auditors, elects the members of the Supervisory Board and the auditors and makes decisions concerning the confirmation of the financial statements and the use of the profit shown in the balance sheet. The General Meeting also decides on the granting of discharge from liability to the members of the Board of Directors and the Supervisory Board, and to the CEO. In addition, the General Meeting decides on the remuneration of the members of the Supervisory Board and the

auditors as well as any other matters mentioned in the notice of the meeting.

Elo's Annual General Meeting was held on 25 April 2022.

## 3. Supervisory Board

A pension insurance company must have a Supervisory Board as stipulated by the Act on Pension Insurance Companies (TVYL).

The Supervisory Board supervises the company's administration by the Board of Directors and the CEO. The Supervisory Board decides on the number of members on the Board of Directors and elects members and any deputy members of the Board of Directors as well as the members of the Election Committee. It also issues decisions on the remuneration payable to the Board of Directors and Election Committee. The Supervisory Board cannot be given duties other than those mentioned in the law. The rules of procedure of the Management Board describe its composition, duties, access to information and meeting practices.

Elo's Supervisory Board is comprised of 36 members, elected by the Annual General Meeting. The members are elected for a term of three years and the term of one-third of the members expires each year. A minimum of one-third of the Supervisory Board members must be elected from among candidates nominated by the central labour

market organisations representing employees and a minimum of one-sixth of the Supervisory Board members must be elected from among candidates nominated by key central labour market organisations representing employers. The Supervisory Board elects a Chair and Deputy Chairs from among its members each year. One of these must be a person nominated by the representatives of the insured.

Elo's Supervisory Board convened three times in 2022, on 22 March, 25 August and 22 November. An average of 84 per cent of the Supervisory Board members attended the meetings.

The Supervisory Board members, their spouses, persons under the members' guardianship and companies under their control or considerable control are considered to be related parties of Elo. Transactions with related parties are handled in accordance with the related-party guideline.

Significant transactions with Elo's management and related parties will always be decided on by Elo's Board of Directors. Any transactions carried out with related parties as referred to in the Act on Pension Insurance Companies are reported on Elo's website.

### **Elo's Supervisory Board as of 25 April 2022**

#### **Chair**

**Harri Miettinen,**  
CEO, Kymen Seudun Osuuskauppa, term expires in 2025

#### **Deputy Chairs**

**Pekka Kampman,**  
Construction Director, Y-Foundation, term expires in 2023

**Satu Yrjänen,**  
CEO, Kantar TNS Ltd, term expires in 2024

#### **Members**

**Vesa Aallosvirta,**  
Organisational Manager, The Finnish Industrial Union, term expires in 2023

**Stefan Borgman,**  
Chair, METO Forestry Experts' Association, term expires in 2025

**Ilkka Brotherus,**  
Chair of the Board, Sinituote Oy, term expires in 2024

**Mika Hagberg,**  
CEO, Paree Group, term expires in 2025

**Antti Hakala,**  
Director, Trade Union Pro, term expires in 2024

**Maria Hanho,**  
Founder, Vaissi Oy, term expires in 2023

**Nanna Hietala,**  
Chair of the Board, MSK Group, term expires in 2023

**Sauli Huikuri,**  
Chair of the Board, Hätäälä Oy, term expires in 2024

**Henrik Karvonen,**  
CEO, Etelä-Pohjanmaan Osuuskauppa, term expires in 2023

**Ismo Kokko,**  
President, Transport Workers' Union AKT, term expires in 2023

**Olavi Kaukonen,**  
(until 15 December 2022)

**Kalle Kujanpää,**  
CFO, Finn-Power Corporation, term expires in 2024

**Veli-Matti Kuntonen,**  
Chair, Finnish Foodworkers' Union SEL, term expires in 2024

**Lasse Laurikainen,**  
Chair, Helsingin Insinöörit HI ry, term expires in 2024

**Leena-Mari Lähteenmaa,**  
Managing Director, CGI Finland Ltd, term expires in 2025

**Pekka Metsi,**  
CEO, Granlund Oy, term expires in 2025

**Tuomas Mäkipeska,**  
CFO, YIT Group, term expires in 2023

**Timo Mäki-Ullakko,**  
CEO, Pirkanmaa Cooperative Society, term expires in 2024

**Mats Nyman,**  
Executive Director, YTY Association for Managers and Professionals, term expires in 2025

**Mikael Pentikäinen,**  
CEO, The Federation of Finnish Enterprises, term expires in 2023

**Terhi Penttilä,**  
Managing Director, Länsilinjat Oy, term expires in 2023

**Katariina Poskiparta,**  
Managing Director, Finnish Student Health Service, term expires in 2025

**Antti Rantalainen,**  
Board member, Rantalainen Audit Oy, term expires in 2024

**Ville-Veikko Rantamaula,**  
Director, Professionals of Business and Technology (TRAL), term expires in 2023

**Ansu Saarela,**  
CFO, Bauhaus & Co Ky, term expires in 2025

**Mikko Salo,**  
General Secretary, Union of Professionals in Natural, Environmental and Forestry Sciences Loimu, term expires in 2024

**Olli Sarekoski,**  
CEO, Veikkaus Ltd, term expires in 2024

**Tommi Sova,**  
Managing Director, Intrum Oy, term expires in 2023

**Päivi Suutari,**  
Managing Director, MM Kotkamills, term expires in 2025

**Katja Syvärinen,**  
Vice President, Director, Central Organisation of Finnish Trade Unions SAK, term expires in 2025

**Pentti Virtanen,**  
Vice Chair of the Board, FSP Finnish Steel Painting Oy, (until 11 May 2022)

**Janne Ylinen,**  
Managing Director, Kokkolan Halpa-Halli Oy, term expires in 2025

**Jaana Ylitalo,**  
Collective Bargaining Director, Service Union United PAM, term expires in 2024

### **3.1. Election Committee**

The task of the Election Committee elected by Elo's Supervisory Board is to prepare proposals concerning the election and remuneration of the members of the Supervisory Board and the Board of Directors.

Either the Chair or Deputy Chairs of the Election Committee must be elected from among the candidates nominated by those Supervisory Board members who represent the insured.

During 2022, the six-member Election Committee included Harri Miettinen and Satu Yrjänen, both from Elo's Supervisory Board, and Jari Karlson from Elo's Board of Directors as members who had been nominated by the policyholders. The Election Committee members proposed by the insured included Pekka Kampman, Mats Nyman and Jaana Ylitalo, all from Elo's Supervisory Board. Harri Miettinen served as Chair of the Election Committee and Jaana Ylitalo as Deputy Chair.

Elo's Election Committee convened five times in 2022, on 1 February, 27 April, 30 May, 10 August and 4 October. Members' attendance rate at meetings was 100 per cent.

#### 4. Board of Directors

The general task of the Board of Directors is to oversee the governance of the company and proper arrangement of the company operations, and to ensure that the supervision of accounting and asset management is appropriately arranged. In accordance with the Act on Pension Insurance Companies (TVYL), the Board of Directors must, together with the CEO, manage the company in a professional manner, and in compliance with sound and prudent business practices and reliable governance principles.

The tasks of Elo's Board of Directors are specified in the rules of procedure of the Board of Directors and in the Articles of Association. The tasks of Elo's Board of Directors include the following:

- to appoint and give notice to the CEO, the Deputy CEO and the members of the company's Executive Group and to decide on their employment and remuneration

- to determine the terms and conditions of employment of the supervisors of independent functions
- to decide on the general structure of the company's organisation
- to approve the company's strategy and budget and oversee their implementation
- to approve the company's personnel strategy and remuneration policy and the objectives and metrics of the performance bonus system, and to assess and oversee their implementation
- to prepare the investment plan, to decide on decision-making powers related to investment activities and to supervise the implementation of the investment plan
- to approve the operational principles of the risk management system and oversee their implementation
- to approve the operational principles of compliance
- to approve the company's risk and solvency assessment (ORSA)
- to approve the operational principles for the organisation of internal audit and the annual audit plan of the internal audit function
- to establish the operational principles of internal control and assess annually whether internal control is properly organised
- to prepare the financial statements, consolidated financial statements and annual report and submit a proposal for the use of the profit shown on the balance sheet and approve interim reports for publication
- to decide on convening the Annual General Meeting, proposals concerning the auditor and other matters to be reviewed by the general meeting

- to confirm the written operational principles required by the Act on Pension Insurance Companies (TVYL)

Elo's Board of Directors comprises representatives of the central labour market organisations as well as of the customers and stakeholders. In 2022, the Board of Directors comprised twelve ordinary members and four deputy members (as of 25 August 2022, three deputy members). The Supervisory Board elects the members and any deputy members of the Board of Directors for a term of three calendar years. A minimum of one-third of the members of the Board of Directors must be elected from among the candidates nominated by the central labour market organisations representing employees. A minimum of one-sixth of the members of the Board of Directors must be elected from among the candidates nominated by the central labour market organisations representing employers.

In addition to compliance with regulations, the diversity of the Board is also taken into consideration in the selection process for the members of the Board of Directors. The diversity of the Board is intended to facilitate the effective management of the Board's tasks and to support the realisation of Elo's strategic goals.

When the Board, as a whole and through the competence, experience and characteristics of each individual member, is able to proactively challenge and support the company's management, the diversity of the Board will have been achieved in the intended manner.

For Elo, the essential factors for diversity include the complementary experience of the members, their own personal characteristics, the geographic distribution and the age and gender distribution.

One aim of the diversity policy at Elo is to maintain the balance of the gender distribution on Elo's Board. In order to achieve that aim, the Election Committee endeavours to find representatives of different genders as part of its search and assessment process for new members. The realisation of the aim will be evaluated and monitored at the meetings of the Election Committee. On the basis of the Election Committee's proposal, the share of women as the minority gender on the Board for 2022 is 26.66 per cent.

The Board of Directors elects a Chair and Deputy Chairs for one calendar year at a time from among its members. One of these must be a person nominated by representatives of the insured.

The Chair and both Deputy Chairs of the Board of Directors constitute the presiding officers of the Board.

The Board of Directors is assisted in its tasks by the Audit and Risk Committee and the Appointment and Remuneration Committee.

Elo's Board of Directors convened 16 times in 2022. An average of 94 per cent of the members of the Board of Directors attended the meetings.

The Board of Directors members, their spouses, persons under the members' guardianship and companies under their control or considerable control are considered to be related parties of

Elo. Transactions with related parties are handled in accordance with the related-party guideline. Significant transactions with Elo's management and related parties will always be decided on by Elo's Board of Directors. Any transactions carried out with related parties as referred to in the Act on Pension Insurance Companies are reported on Elo's website.

### **Elo's Board of Directors in 2022**

#### **Chair**

**Antti Aho**, born 1969, M.Sc. (Econ.), Managing Director, Aava Terveyspalvelut Oy

#### **Deputy Chairs**

**Sture Fjäder**, born 1958, M.Sc. (Econ.), B.Soc.Sc. (First Deputy Chair)

**Susa Nikula**, born 1970, M.A. (Ed.), Business Management Consultant (until 23 April 2022)

**Minna Helle**, born 1972, LL.M., Deputy CEO, Federation of Finnish Technology Industries (Deputy Chair since 23 May 2022)

#### **Ordinary members**

**Jari Karlson**, born 1961, M.Sc. (Econ.), Chief Financial Officer, Orion Corporation

**Juha Koponen**, born 1966, M.Sc. (Econ.), CEO, LocalTapiola Group

**Antti Kuljukka**, born 1961, M.Soc.Sc., eMBA, senior advisor, Fennia Group

**Janne Makkula**, born 1977, LL.M., trained on the bench, Director, Suomen Yrittäjät ry

**Jorma Malinen**, born 1959, Automation Designer, President, Trade Union Pro

**Sinikka Näätsaari**, born 1961, M.Soc.Sc., Head of Pension Policy, Central Organisation of Finnish Trade Unions SAK

**Annika Rönni-Sällinen**, born 1976, LL.M., President, Service Union United PAM

**Penna Urrila**, born 1975, M.Soc.Sc., Director, Chief Economist, Confederation of Finnish Industries EK (ordinary member since 25 August 2022, deputy member 1 April–24 August 2022)

**Timo Viherkenttä**, born 1958, LL.D., Senior Fellow, Aalto University

#### **Deputy members**

**Aki Käyhkö**, born 1968, BBA, Managing Director, Scandic Hotels Oy

**Marjo Matikainen-Kallström**, born 1965, M.Sc. (Eng.), eMBA, Managing Director, Havu&Per Oy

**Jukka Ruuska**, born 1961, LL.M., MBA, Managing Director, Enento Group

### **4.1. Audit and Risk Committee**

The task of the Audit and Risk Committee is to monitor the company's financial reporting, internal control, the sufficiency and appropriateness of risk management, and the operations of internal auditing. The Committee also monitors the work of the auditors and prepares the proposal for the appointment of auditors.

The Board of Directors elects 3–4 members from among its members to the Audit and Risk Committee and the Chair of the Committee for a term of one year at a time. One of the members of the Committee must be a representative of a central employee organisation and one must be a representative of a central employer organisation. A member of the Board of Directors' presiding officers cannot be elected to the Committee.

In 2022, Elo's Audit and Risk Committee comprised Jari Karlson (Chair), Sinikka Näätsaari, Minna Helle (until 23 May 2022), Penna Urrila (since 26 September 2022) and Timo Viherkenttä. The committee convened six times and the members' attendance rate was 100 per cent.

### **4.2. Appointment and Remuneration Committee**

The task of the Appointment and Remuneration Committee is to assist the Board of Directors in preparing and developing matters related to the remuneration systems and the appointment and remuneration of the company's senior management.

The Committee comprises the presiding officers of Elo's Board of Directors. In 2022, the members of the Appointment and Remuneration Committee included Antti Aho (Chair), Sture Fjäder and Susa Nikula (until 23 April 2022) and Minna Helle (since 23 May 2022). The committee convened ten times and the members' attendance rate was 95 per cent.

### **5. Chief Executive Officer**

Elo's Chief Executive Officer was Carl Pettersson. The CEO's deputy was Hanna Hiidenpalo.

The CEO manages the company's administration in accordance with the guidelines and instructions issued by the Board of Directors. The CEO is appointed by the Board of Directors.

The CEO leads the company in a professional manner and in compliance with sound and prudent business practices and reliable governance principles. The CEO ensures that the company's accounting is in compliance with the law and that asset management is arranged in a reliable manner.

### **6. Other management**

The Executive Group, consisting of directors appointed by the Board of Directors, assists the CEO in the company's operational management and in the planning of operations. The Executive Group is involved in preparing for the Board of Directors, for example, the matters related to the company's strategy, budgeting, and organisation.

Composition and responsibilities of the Executive Group at the end of 2022:

#### **Mika Aho**

b. 1969, Master of Administrative Science, Chief Customer Officer, Deputy CEO

#### **Taina Antila**

b. 1960, LL.M., trained on the bench, Chief Compliance Officer

#### **Matti Carpén**

b. 1960, M.Sc. (Eng.), Director (until 31 March 2022)

#### **Elina Heliö**

b. 1972, LL.M., trained on the bench, Chief People and Culture Officer

#### **Hanna Hiidenpalo**

b. 1966, M.Sc. (Econ.), Chief Investment Officer, Deputy CEO

**Mikko Karpoja**

b. 1962, M.Sc., Fellow of the Actuarial Society of Finland, Director, Actuarial Services, Appointed Actuary

**Sarianne Kirvesmäki**

b. 1966, B.Sc., MBA, Chief Financial Officer

**Kati Korhonen-Yrjänheikki**

b. 1972, D.Sc. (Tech.), Chief Work Ability Officer

**Carl Pettersson**

b. 1979, B.Sc. (Econ.), EMBA, Chief Executive Officer

**Stiina Riihilahti**

b. 1975, B.Sc., personnel representative

**Jouni Seppänen**

b. 1969, M.Soc.Sc., Chief Operating Officer, pensions and insurance

The Board of Directors decides on the remuneration payable to the CEO and members of the Executive Group.

The directors appointed by the Board of Directors, their spouses, persons under the members' guardianship and companies under their control or considerable control are considered to be related parties of Elo. Transactions with related parties are handled in accordance with the related-party guideline. Significant transactions with Elo's management and related parties will always be decided on by Elo's Board of Directors. Any transactions carried out with related parties as referred to in the Act on Pension Insurance Companies are reported on Elo's website.

**7. Internal control and risk management**

The Board of Directors bears overall responsibility for arranging internal control and risk management and for the annual evaluation of the state of internal control. The Board of Directors approves the general principles of internal control and risk management, division of responsibilities and key policies (operational principles of internal control and the risk management system) and supervises their implementation. The Board of Directors also approves the company's continuity plan. The Board of Directors evaluates the management system, written operating principles and the continuity plan regularly on an annual basis.

The Audit and Risk Committee assists the Board of Directors in this task.

The CEO is responsible to the Board of Directors for the arrangement and monitoring of internal control and risk management. Independent functions support the CEO in ensuring and supervising internal control and risk management. The function consists of the Compliance and Risk Management unit and the appointed actuary for the tasks specified in legislation.

Elo's internal control and risk management are organised in accordance with the three lines model. The company's management and supervisors in the first line are responsible for internal control in their areas of responsibility, the implementation of risk management and compliance with the principles and practices of internal control

and risk management. The business functions are responsible for the continuity of their operations.

The risk management function operates in Elo's second line, responsible for supervising business risks, investment and insurance risks and operational risks. The risk management function is also responsible for the maintenance and development of risk management principles and methods, the preparation and coordination of the risk and solvency assessment (ORSA) and the coordination of operational risk assessments and the preparation of continuity plans. The risk management function reports on the state of risk management to the Board of Directors and the management on a six-monthly basis.

Elo's internal control and risk management also includes compliance activities, which include all of the procedures and activities that aim to prevent and identify non-compliance with regulations and respond to violations. Elo's Compliance function is part of the second line, responsible for ensuring and supervising compliance with regulations. The Compliance function supports the first-line business and support functions in the management of compliance risks and assesses the adequacy of the measures taken. The Compliance function also supports Elo's management in organising reliable administration. The function reports on the state of compliance to the Board of Directors and the management on a six-monthly basis. In addition to regulatory compliance, the Compliance function is responsible for, among other things, Elo's insider administration and related party matters and the prevention of conflicts of interest.

Elo complies with insider administration guideline pursuant to the Act on Pension Insurance Companies. The purpose is to advance the public reliability of investment activities and to ensure the knowledge of personnel concerning insider trading regulations in order to prevent unintentional violations as well. Elo's compliance function is responsible for the maintenance of insider registers, insider training and advice and the supervision of trading by insiders.

Elo's Board of Directors has approved the insider administration policy, and public information about Elo's insiders is available from Euroclear's NetSire service.

As part of the development of the company's corporate governance system, Taina Antila, who is responsible for the above-mentioned second-line functions of compliance and risk management (previous independent risk control), started as Chief Compliance Officer on 1 January 2022.

The task of an internal audit in Elo's third line is to assess the adequacy and effectiveness of the management and administration, control and risk management processes and to issue recommendations for improving them and promote their development. Assigned by the Board of Directors, Internal Auditing is a unit that operates independently from the rest of the organisation. It reports to the Audit and Risk Committee and the Board of Directors, which confirms its operational guidelines and annual plan. The head of the Internal Auditing unit is an administrative subordinate to the CEO.

The activities of Internal Auditing are governed by the requirements of the law and the regulations and guidelines issued by the Financial Supervisory Authority regarding internal auditing and the standards of the Institute of Internal Auditors (IIA). After the retirement of Chief Audit Executive Anne Nurminen, Tuukka Lahkela took up the post as the new Chief Audit Executive as of 1 January 2022.

## 8. Description of the main characteristics of the internal control and risk management systems related to the financial reporting process

Elo's financial reports have been drawn up in accordance with the Accounting Act, Limited Liability Companies Act, the Insurance Companies Act, and the Act on Pension Insurance Companies, which regulate the accounting, financial statements and reporting of pension insurance companies as well as in accordance with the Act on the Calculation of the Pension Provider's Solvency Border and the Covering of the Technical Provisions, the Decree of the Ministry of Social Affairs and Health concerning the financial statements and consolidated financial statements of insurance companies, the Accounting Decree, the calculation bases confirmed by the Ministry of Social Affairs and Health, and the regulations and guidelines issued by the Financial Supervisory Authority.

Financial reporting to the Board of Directors, operational management and authorities is carried out independently of the reported function by Elo's finance function. The operational principles of the risk management system and solvency management control model approved by the Board

of Directors specify the solvency and risk reporting to be provided to the Board of Directors and related responsibilities. The key figures related to solvency, solvency restrictions and stress tests are reported to the Board of Directors at least twice a month. More comprehensive monthly result and solvency reports that include information on the accumulation and use of the overall result, itemised returns for asset classes, the market value and risk distribution of investments, investment risk concentrations as well as limits according to the investment plan and adherence to them are reported on a monthly basis. In addition, the Board of Directors receives reports on the risk concentrations and derivative positions of investments, as well as operating expenses and the monitoring of the targets set by the Board of Directors.

Internally, key figures related to solvency, the return and risk distribution of investments, profit analysis and the income statement and balance sheet at fair values as well as business expenses are automatically updated in an internal reporting tool on a daily basis and also distributed to the management in the form of reports. The reporting tool also includes up-to-date reporting on, for example, the returns and risks of asset classes, the limits of the investment plan, the solvency classification of investments and the cash flows of the investment and insurance businesses. The finance function monitors whether limits are exceeded and immediately reports on such instances in accordance with internal guidelines, and the investment function subsequently takes action as necessary. The insurance business surplus is calculated by Actuarial Services.

The Board of Directors decides on the grounds for using derivative contracts and the criteria for the solvency classification of investments – which are used in the calculation of the solvency limit – with regard to taking into account the risks of indirect investments, derivative contracts, the use of risk category 18 and calculating the duration of investments exposed to interest and credit margin risk. The Board of Directors monitors the timeliness and application of the criteria on the basis of the reports prepared by the finance function. Reports are prepared on the use of derivative contracts and their impact on the solvency limit, and on the application of the grounds for solvency classification.

Elo publishes the official financial statements on its website. Elo also publishes interim reports for each quarter.

The most important key figures in terms of evaluating Elo's total risk position and risk-bearing capacity are the amount of the solvency capital in relation to the technical provisions (solvency ratio) and the amount of the solvency capital in relation to the solvency limit (solvency position). The calculation of the key figures in terms of the solvency capital and solvency is described in the accounting principles and key figure guide included in the financial statements. Other key items for financial reporting are the yield requirement concerning the technical provisions, valuation of investments, investment result at fair values, loading profit and insurance business surplus.

The company's Appointed Actuary, together with Actuarial Services, is responsible for the accuracy

of technical provisions and insurance contributions in the systems. The mid-year evaluation of the technical provisions is conducted by the finance function, and its accuracy is ensured by means of work instructions, balancing routines and close co-operation with Actuarial Services and the Appointed Actuary. The insurance business surplus and change in payroll is estimated by Actuarial Services. In the financial statements, the technical provisions, premiums written and insurance business surplus are estimated by Actuarial Services. The corresponding payroll is calculated on the basis of incomes register notifications received and analyses by Actuarial Services. When the financial statements are drawn up, Actuarial Services closes the portfolio at the time of closing the books, which means that the technical provisions and premiums written do not change much after that. Payments for wages earned in December are recorded as receivables. The insurance business surplus has a minor impact on the result and solvency.

The investment values used in the financial statements are determined in accordance with the accounting principles presented in the financial statements and more detailed internal procedures. As for unlisted equities, private equity funds, real estate funds and real estate, the finance function ensures that the fair values are priced in accordance with the agreed principles and ensures the fair values. The finance function is responsible for maintaining all valuations in the systems. The finance function has a regular balancing routine to ensure the accuracy of the market values, cash flows and credit ratings of the investment systems. There is a temporal delay related to the



determination of the fair values, but its effect is minimal.

The company's business accounting for the financial year is implemented using the matching principle, and the information in the general ledger accounting is balanced with the partial accounting systems. During the financial year, the balancing is carried out monthly. The accuracy of financial reports is ensured through regular balancing routines and automatic control points between different source systems, the data storage system and the reporting tool as well as through work instructions, automated processes, process descriptions, good professional competence, and close cooperation and fluent communication between the finance function and the investment function.

Operational risks related to finance and risk reporting, accounting and transactions are surveyed every six months in risk survey meetings coordinated by the risk management function. The significance of the effects of identified risks and the probability of their realisation are estimated separately for each risk and a risk management plan for each risk is drawn up and monitored in terms of its implementation. The near miss risks and realised risks within investment trading, reporting and supervision processes as well as in accounting and transactions are reported in deviation reports related to the operational risks. In addition, the risk management function coordinates the updating of the finance function's continuity plan each year.

## 9. Auditor and fees

Elo's Annual General Meeting for 2022 appointed Ernst & Young Oy as the company's auditor. The Appointed Auditor was Heikki Ilkka, Authorised Public Accountant (KHT).

In 2022, Elo paid the audit firm a total of EUR 468,884 in auditing fees and EUR 14,520 in fees for non-audit services.



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