



2017

corporate governance statement

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In addition to the Board of Directors' Report and financial statements, Elo publishes a separate Annual and Responsibility Report, available at www.elo.fi.

Corporate Governance Statement

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Elo's Corporate Governance Statement for the financial period covering 1 January–31 December 2017 is based on the 2015 Finnish Corporate Governance Code 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.

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 28 – 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.

2. 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 decides on the granting of discharge from liability to the members of the Board of Directors and the Supervisory Board, and to the Chief Executive Officer. 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 24 April 2017.

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 Chief Executive Officer. The Supervisory Board decides on the number of members on the Board of Directors and elects members and 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 Supervisory Board describe its composition, duties and meeting practices.

The General Meeting elected 43 members of the Supervisory Board on 24 April 2017. The members are elected for a term of three years. The term of one third of the members expires each year. Half of the Supervisory Board members are elected from among candidates nominated by the central labour market organisations representing employers and employees. There must be an equal number of members elected from among those nominated by the employers and employees.

The Supervisory Board elects a Chairman and Deputy Chairmen 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 twice in 2017, on 21 March and 21 November. An average of 83 per cent of the Supervisory Board members attended the meetings. The members' attendance at the meetings of the Supervisory Board and Election Committee and the remuneration paid to them are specified in Elo's remuneration report, available at www.elo.fi – About Elo – Governance (in Finnish).

The Supervisory Board members, their spouses, persons under the members' guardianship and controlled companies 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 are reported on Elo's website.

Elo's Supervisory Board as of 24 April 2017

Chairman

Klaus Saarikallio,
born 1955, Chairman of the Board, Normek Oy, term expires in 2019

Deputy Chairmen

Håkan Nystrand, born 1955, Chairman, METO Forestry Experts' Association, term expires in 2019

Ilkka Brotherus, born 1951, Managing Director, Sinituote Oy, term expires in 2018

Members

Vesa Aallosvirta,
born 1961, Organisational Manager, The Finnish Industrial Union, term expires in 2020

Antti Hakala,
born 1967, Director, Trade Union Pro, term expires in 2018

Maria Hanho,
born 1982, Managing Director, Vaissi Oy, term expires in 2020

Johanna Heikkilä,
born 1962, HR Director, Apetit Oyj, term expires in 2020

Maija Hjelt,
born 1970, Senior Vice President, Finance, Veikkaus Oy, term expires in 2018

Sauli Huikuri,
born 1958, CEO, Joutsen Media Oy, term expires in 2018

Tero Jussila,
born 1958, CFO, Maintpartner Group Oy, term expires in 2020

Esko Jääskeläinen,
born 1956, Managing Director, Suur-Seutu Cooperative Society SSO, term expires in 2019

Pekka Kampman,
born 1962, Project Manager, Y-Foundation, term expires in 2020

Olavi Kaukonen,
born 1956, Managing Director, A-Clinic Foundation, term expires in 2020

Jaakko Kiiski,
born 1956, Executive Director, YTY – Association for Managers and Professional, term expires in 2019

Kalle Kujanpää,
born 1969, CFO, Finn-Power Corporation, term expires in 2018

Veli-Matti Kuntonen,
born 1965, Chairman, Finnish Foodworkers' Union SEL, term expires in 2018

Heikki Kyntäjä,
born 1952, CFO, Atria Group, term expires in 2020

Ville Laine,
born 1970, Managing Director, Lojer Oy, term expires in 2019

Mikko Leppälä,
born 1963, term expires in 2020

Pekka Metsi,
born 1961, CEO, Granlund Oy, term expires in 2019

Harri Miettinen,
born 1962, Managing Director, Kymen Seudun Osuuskauppa, term expires in 2019

Timo Mäki-Ullakko,
born 1963, CEO, Pirkanmaa Cooperative Society, term expires in 2018

Mikael Pentikäinen,
born 1964, Managing Director, Federation of Finnish Enterprises, term expires in 2020

Terhi Penttilä,
born 1972, Managing Director, Länsilinjat Oy, term expires in 2020

Heikki Pesu,
born 1967, CEO, Are Oy, term expires in 2019

Marko Piirainen,
born 1975, Chairman, Transport Workers' Union AKT, term expires in 2020

Katariina Poskiparta,
born 1961, Managing Director, Finnish Student Health Service, term expires in 2019

Kyösti Pöyry,
born 1952, Managing Director, Paperinkeräys Oy, term expires in 2018

Merja Rinne,
born 1963, Head of Union Affairs, Industrial Union TEAM, term expires in 2019

Ansu Saarela,
born 1978, CFO, Bauhaus & Co Ky, term expires in 2019

Hannu Saarikangas,
born 1952, Director, Union of Professional Engineers in Finland, term expires in 2018

Antti Sahi,
born 1956, Secretary General, Central Union of Agricultural Producers and Forest Owners MTK, term expires in 2019

Paula Salastie,
born 1978, CEO, Teknos Group Oy, term expires in 2019

Kimmo Simberg,
born 1959, CEO, Etelä-Pohjanmaa Cooperative Society, term expires in 2020

Jukka Tikka,

born 1953, Chairman of the Board, Länsi-Savo Oy, term expires in 2018

Mika Varjonen,

born 1974, Executive Director, Tradenomiliitto TRAL, term expires in 2020

Pentti Virtanen,

born 1964, Managing Director, FSP Finnish Steel Painting Oy, term expires in 2018

Tapio Volanen,

born 1961, Managing Director, CGI Suomi Oy, term expires in 2019

Olli Vormisto,

born 1967, Managing Director, Osuuskauppa Hämeenmaa, term expires in 2020

Janne Ylinen,

born 1975, Managing Director, Kokkolan Halpa-Halli Oy, term expires in 2019

Jaana Ylitalo

born 1969, Collective Bargaining Director, Service Union United PAM, term expires in 2018

Satu Yrjänen,

born 1967, CEO, Kantar TNS Oy, term expires in 2018

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

During 2017, the six-member Election Committee included Ilkka Brotherus,

Klaus Saarikallio, Jouko Vehmas (until 6 February 2017) and Harri Miettinen (as of 21 November 2017), all from Elo's Supervisory Board, as members who had been nominated by the policyholders. The Election Committee members proposed by the insured included Håkan Nystrand, Mika Varjonen and Jaana Ylitalo, all from Elo's Supervisory Board. Klaus Saarikallio served as Chairman of the Election Committee and Håkan Nystrand as Deputy Chairman.

Elo's Election Committee convened twice in 2017, on 7 February and 3 October. Members' attendance at the Election Committee meetings was an average of 92 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 Chief Executive Officer, 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 Chief Executive Officer, the Deputy Managing Director, the members of the company's Executive Group, the members of the

Executive Group of Investments, the Director of Internal Auditing and the Medical Director and to decide on the terms and remunerations related to their employment relationship

- 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 principles of the performance bonus system for personnel, and to assess and oversee their implementation
- to approve the investment plan and oversee its implementation
- to approve the risk management policy and plan, and oversee their implementation
- to approve the auditing plan for internal auditing on an annual basis
- to assess the state of the company's internal control on an annual basis
- to approve the financial statements
- to decide on the convening of General Meetings
- 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 2017, the Board of Directors comprised of twelve ordinary members and four deputy members. The Supervisory Board elects the members and deputy members of the Board of Directors for a term of three calendar years. Half of the members of the Board of Directors are elected from among candidates put forward

by the central employer and employee organisations. There must be an equal number of members elected from among those nominated by the employers and employees.

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 both 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 in 2017, the share of women as the minority gender on the Board for 2018 is 37.5 per cent.

The Board of Directors elects a Chairman and Deputy Chairmen 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

Chairman and both Deputy Chairmen of the Board of Directors constitute the presiding officers of the Board.

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

Elo's Board of Directors convened 12 times in 2017. An average of 86 per cent of the members of the Board of Directors attended the meetings. The members' attendance at the meetings of the Board of Directors and its committees, and the remuneration paid to them are specified in Elo's remuneration report, available at www.elo.fi – About Elo – Governance (in Finnish).

The members of the Board of Directors, their spouses, persons under the members' guardianship and controlled companies 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 are reported on Elo's website.

Elo's Board of Directors in 2017

Chairman

Eeva-Liisa Inkeroinen,

born 1963, LL.M., Vice Managing Director, The Federation of Finnish Technology Industries

Deputy Chairmen

Antti Aho,

born 1969, M.Sc. (Econ.), Lääkärikeskus Aava Oy, Aava Terveyspalvelut Oy

Ann Selin,

born 1960, eMBA, Chairwoman, Service Union United PAM

Ordinary members

Jari Karlson,

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

Antti Kuljukka,

born 1961, M.Sc.Sc., eMBA, CEO, Fennia Group

Outi Lähteenmäki, until 21 November 2017

Janne Makkula,

born 1977, LL.M., trained on the bench, Director, Federation of Finnish Enterprises

Jorma Malinen,

born 1959, Automation Designer, President, Trade Union Pro

Marjo Matikainen-Kallström, born 1965, M.Sc. (Eng.), eMBA, Chairman, Academic Engineers and Architects in Finland TEK

Erkki Moisander,

born 1953, B.Sc. (Econ.), Group Director, LocalTapiola Group

Olavi Nieminen,

born 1952, Optician, Chairman of the Board, Piiliset by Finnsusp Oy

Susa Nikula,

born 1970, M.A. (Ed.), Executive Vice President, HR, SOK Corporation

Niklas Sonkin,

born 1967, M.Sc. (Eng.), COO and Deputy CEO, Accountor Holding Oy (as of 22 November 2017)

Deputy members

Jouko Liimatainen,

born 1954, M.Sc. (Econ.), Vice Managing Director, Scandic Hotels Oy

Sinikka Näätäsaari,

born 1961, M.Sc.Sc., Director, Central Organisation of Finnish Trade Unions SAK

Penna Urrila,

born 1976, M.Soc.Sc, Chief Economic Policy Adviser, Confederation of Finnish Industries EK

Daniela Yrjö-Koskinen,

born 1971, M.Sc. (Econ.), Managing Director, Novita Oy

4.1. Audit Committee

The task of the Audit 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 members of the Audit Committee are elected by the Board of Directors from among its own members for one year at a time, and the Board also confirms the Committee's rules of procedure. One of the members of the Committee must be a representative of the central employee organisations, one a representative of the central employer organisations and one from among the other members of the Board of Directors.

In 2017, Elo's Audit Committee comprised Jarl Karlson (Chairman), Marjo Matikainen-Kallström and Outi Lähteenmäki (until 21 November 2017). Niklas Sonkin was elected as a member of the Audit Committee on 18 December 2017. The Audit Committee convened five times and the members' attendance rate at these meetings 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 is comprised of the presiding officers of Elo's Board of Directors. In 2017, the members of the Appointment and Remuneration Committee included Eeva-Liisa Inkeroinen (Chairman), Ann Selin and Antti Aho. The Committee convened 10 times and the members' attendance rate at these meetings was 87 per cent.

5. Chief Executive Officer

Elo's Chief Executive Officer is Satu Huber, M.Sc. (Econ.) (born 1958). She assumed the position of Chief Executive Officer on 1 June 2015.

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

The Chief Executive Officer leads the company in a professional manner and in compliance with sound and prudent business practices and reliable governance principles. The Chief Executive Officer 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 Chief Executive Officer 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:

Mika Ahonen,

born 1967, LL.M., Director, Legal Affairs, Communications, Compliance

Matti Carpén,

born 1960, M.Sc. (Eng.), Director, Customer Relations and Customer Channels, Insurance Policies, ICT

Hanna Hiidenpalo,

born 1966, M.Sc. (Econ.), Director, Chief Investment Officer

Satu Huber,

born 1958, M.Sc. (Econ.), Chief Executive Officer

Mikko Karpoja,

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

Erja Ketko,

born 1967, M.Sc. (Econ.), forester, Director, Risk and Business Control

Sarianne Kirvesmäki,

born 1966, B.Sc., MBA, Director, Finance and Investment Risk

Hilkka Malinen,

born 1963, M.A., Director, Human Resources

Jonna Ryhänen,

born 1975, M.Soc.Sc., Director, Securities Division

Jouni Seppänen,

born 1969, M.Soc.Sc., Director, Pensions

Timo Stenius,

born 1956, M.Sc. (Eng.), Director, Unlisted Investments

Elo has additional executive groups responsible for the Customer business, investments and governance, which make decisions as authorised by the Chief Executive Officer.

The Customer executive group supports the Chief Executive Officer in managing the Customer business, and it is responsible for the steering, supervision and development of the Customer business. The executive group of investments deals with matters falling under the Chief Executive Officer's decision-making authority pursuant to the investment plan. The governance executive group supports the Chief Executive Officer in preparing matters to be handled by the Board of Directors. The governance executive group is responsible for the company's good governance, including the company's management system and internal control.

The Customer executive group comprises Satu Huber (chair), Mika Ahonen, Matti Carpén, Mikko Karpoja, Erja Ketko, Hilkka Malinen and Jouni Seppänen. The executive group of investments comprises Satu Huber (chair), Hanna Hiidenpalo, Erja Ketko, Sarianne Kirvesmäki, Jonna Ryhänen and Timo Stenius. The members of the governance executive group are Satu

Huber (chair), Mika Ahonen, Erja Ketko and Sarianne Kirvesmäki.

The Board of Directors decides on the remuneration payable to the Chief Executive Officer and members of the executive groups. This information is presented in Elo's remuneration statement.

The directors appointed by the Board of Directors, their spouses, persons under their guardianship and controlled companies 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 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 must regularly assess the administrative system, the written operating principles (including the principles of internal control and risk management) and continuity plan. The Board of Directors approves the principles of internal control, general risk management principles, division of responsibilities and key policies (risk management policy) as well as the annual risk management plan related to the steering of the company, and it also monitors the progress of the administrative measures presented in the plan. The Audit Committee assists the Board of Directors in this task.

The Chief Executive Officer is responsible to the Board of Directors for the arrangement of internal control and risk management, the preparation of the content of the risk management plan concerning the company's key risks, drawn up for the approval of the Board of Directors, and for the monitoring of risk management. The Chief Executive Officer is supported in these tasks through independent supervision provided by the Risk and Business Control, Finance and Investment Risk Supervision, Actuarial Services and Compliance functions.

The directors of the business functions and support units are responsible, within the scope of their respective duties, for internal control, the implementation of risk management measures and compliance with the company's risk management policies and practices. The business functions participate in the drafting of the company's risk management plan and the related continuity planning.

The Compliance function is part of Elo's internal control, the foundation of which is compliance with regulations issued by the authorities and the best practices for internal control in general. The Compliance activities function as part of Elo's risk management, with the aim of supporting business operations, particularly as regards the management of legal and compliance risks, and to monitor and report on these to the Audit Committee and management. In addition to supervising compliance with regulations, Elo's Compliance Officer is responsible for, among other things, Elo's insider and related party issues and the avoidance of conflict of interest situations. The Compliance Officer's job is a full-time position.

Elo complies with an insider guideline pursuant to the Pension Insurance Companies Act. 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 Officer is responsible for maintaining the insider registers, and for the training and guidance related to insider matters, and for the supervision of trading among those within the insider sphere.

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

The task of Elo's Internal Auditing is to assess the sufficiency and effectiveness of the governance, risk management and control processes, to issue recommendations, and consult on 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 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 Chief Executive Officer.

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).

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.

The Board of Directors has approved the company's risk management policy and plan, in which the financial risk reporting has been taken into consideration.

Elo publishes the preliminary information about its financial statements and the official financial statements on its website. Mid-year, Elo publishes its six-month interim review. Additionally, Elo publishes more concise interim reports for the first and third quarters of the year.

Financial reporting produced for the Board of Directors, management, authorities and the public is the responsibility of the Finance and Investment Risk Supervision unit, which is independent of the functions

subject to reporting. Independent reporting on operating expenses is carried out by the Risk and Business Control unit.

The Finance and Investment Risk Supervision unit reports to the Board of Directors, at least twice a month, on the key figures and stress tests related to the company's solvency, the generation and use of the overall result, the investments and returns at market values and by risk categories, the objectives and outcomes of investment activities, and the risk limits as set in the investment plan and compliance with these limits. Furthermore, the Board of Directors is provided with a report on the overall risk position and risk figures related to the solvency as calculated on the basis of the company's own models.

The solvency situation is monitored daily by the Finance and Investment Risk Supervision unit, and the management receives reports on the solvency situation several times each week in accordance with the instructions issued by the authorities and the company's own models. Other key figures reflecting the company's result and investment activities are reported to the management on a weekly basis. Reporting on investments has been automated using Self Service Business Intelligence tools. Asset class-specific returns and risks are automatically updated in the tool and distributed as reports to portfolio management and the Executive Group of Investments. The Finance and Investment Risk Supervision unit also monitors, on a daily basis, the risk limits and compliance in accordance with the investment plan.

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 in accordance with regulations (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, and investment result at fair values.

The accuracy of the technical provisions used in the systems, the financial statements and the calculation of the solvency limit is ensured by the Actuarial Services unit and the Appointed Actuary. The mid-year evaluation of the technical provisions is conducted by the Finance and Investment Risk Supervision unit, and its accuracy is ensured by means of work instructions, balancing routines and close co-operation with Actuarial Services and the Appointed Actuary. In the financial statements and during the course of the year, the change in payroll is estimated on the basis of forecasts issued by the Finnish Centre for Pensions, portfolio extracts from the Arek earnings records and Actuarial Services' own analyses. The payroll estimate affects the TyEL premium income and technical provisions, but it has little effect on the company's overall result. The exact technical provisions for each year are calculated once all the annual calculations are completed.

The investment values used in the financial statements are determined in accordance with the accounting principles presented in the financial statements. As for

unlisted equities, private equity funds, real estate funds and real estate, the Finance and Investment Risk Supervision unit ensures that the market values are priced in accordance with the agreed principles and ensures the market values. The Finance and Investment Risk Supervision unit 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 market 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 the financial reports is ensured through regular balancing routines between different source systems and the data storage system, and through work instructions, automated processes, process descriptions, good professional competence, and close co-operation and fluent communication between the Finance and Investment Risk Supervision unit and the Investment unit.

Operational risks related to financial reporting, investment risk supervision, accounting and transactions are surveyed every six months in risk survey meetings coordinated by the independent Risk and Business Control unit. 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 cases

and realised risks within the reporting and supervision processes, as well as in accounting and transactions are reported in the deviation reports related to compliance and operational risks. In addition, the independent Risk and Business Control unit coordinates the updating of the Finance and Investment Risk Supervision unit's continuity plan each year.

9. Auditor and fees

Elo's Annual General Meeting for 2017 appointed the Authorised Public Accountant Firm Ernst & Young Oy as the company's auditor. The company's Appointed Auditor is Ulla Nykky, Authorised Public Accountant (KHT).

Ulla Nykky has acted as the Appointed Auditor for Elo since 23 April 2014.

In 2016, Elo paid to the audit firm a total of €95,421 as auditing fees and €4,062 euro for other services not related to auditing.



Elo Mutual Pension Insurance Company

Visiting address: Revontulentie 7, 02100 Espoo

Postal address: FI-00041 ELO

Telephone: +358 20 703 50 Fax: +358 20 703 5100

www.elo.fi