



2017

annual and responsibility report

Elo is an employment pension company owned by its customers. We take care of the statutory employment pensions of our customer companies' employees and entrepreneurs. We are responsible for the future pensions of more than 500,000 employees and entrepreneurs, we provide current pensions to about 227,000 pension recipients, and we manage investment assets totalling over EUR 23 billion.



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This annual and responsibility report includes the essential events and financial key figures of 2017. We will also issue the Board of Directors' report, financial statements and a corporate governance statement as separate reports.

Elo employees in photos: Jukka Jalkanen, Pekka Lehrbäck, Leena Lustig, Jukka Peltola and Noora Pitkänen.



We bear responsibility for our customers' future

2017 was a year of strong reform at Elo. We utilised the opportunities of digitalisation for both developing the customer experience and increasing the efficiency of our operations. We also reformed our organisation to better support smooth services for our customers and ensure the efficient implementation of pension cover. Our economic operating environment developed favourably in Finland and globally, and pension assets reached a new record-high figure.

**The key objective
of Elo's operations
is to secure the
pension cover of
our customers.**

The key objective of Elo's operations is to secure the pension cover of our customers. We are responsible for the pension insurance of a total of more than 500,000 self-employed persons and employees, and we provide current pensions to about 227,000 pension recipients. Our goal is to provide the best customer experience in the sector, in conjunction with our partners Fennia, LocalTapiola and Turva.

Our basic task involves significant responsibility: responsibility for the flawless management of pension cover and profitable and secure investing of pension assets. To succeed in this task, we invest in growth, solvency and performance in accordance with our strategy. We support the achievement of the strategic goals through annual spearhead themes. In 2017, the spearhead themes included the customer experience, digitalisation, responsibility and engagement.

Economic growth exceeded expectations both in Finland and the world as a whole in 2017, amounting to over three per cent. Elo's return on investments,

7.4 per cent, was excellent, and the market value of investments increased to over EUR 23 billion. The investment strategies in different asset classes worked well and the allocation was successful. The share of equity investments, which reached an excellent return, was increased during the year.

Our view is that responsible operating methods can reach better returns on investment and manage the risks associated with investments. In spring 2017, we published the climate strategy of Elo's investment operations and deepened the ESG analysis of investments, assessing the responsibility of investments from the points of view of environmental responsibility, social responsibility and good corporate governance. We utilised digitalisation to manage and use investment data better and more efficiently.

The quality of customer service is an important part of the responsibility of Elo's operations. Our goals include allowing our customers to get their case managed as smoothly as possible and for pension

decisions to be made so quickly that there will be no interruptions in the customer's livelihood upon retiring. During 2017, we developed the services to be easier and faster to use. Among other things, we adopted the Chabla application that allows hearing-impaired customers to contact Elo by telephone.

In developing the services and processes, we listened to our customers and utilised the customer feedback collected. We began more systematic measurement of the customer experience. The results of the measurement have been at a good level, and the speed of customer service has remained excellent. We will continue development activities in areas that do not yet work as expected, based on the feedback from our customers.

Part of our responsible task is to support our customer companies in lengthening working careers and improving the quality of working life. We launched tools in Elo's online service for employers to help foresee, prevent and manage risks related to incapacity to work and the resulting costs using real-time data.

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During 2017, we developed the services to be easier and faster to use.

From the point of view of Finland's future and pension system, it is important for young people to find work and be able to have an intact work career. We took part in S Group's three-year "Nuori Mieli Työssä" ("Young Minds at Work") programme, which looks for concrete tools for strengthening young people's employment skills and developing work communities to promote well-being at work. To celebrate Finland's centenary, we provided one hundred school classes with access to the Mightifier application developed in Finland, used by pupils to learn how to give and receive positive peer feedback. Using the application has improved class spirit, decreased bullying and supported learning.

2018 got off to a relatively positive start, even though there are also significant uncertainties relating to the economic development. The prime

growth spring in the euro zone and Finland is expected to come to an end, but economic growth is nevertheless expected to continue and companies' outlooks to remain favourable. Elo's different functions will also continue the work for ensuring the favourable development of the operating conditions of Finnish companies and entrepreneurs. We are continuing the preparations for the income register to be adopted in 2019, aiming to provide companies with the desired ease of reporting income data. We want to continue to be involved in developing self-employed persons' pension and social security so that it provides entrepreneurs an adequate livelihood also as ways of working evolve. The shortening of self-employed persons' qualifying period for sick leave benefit from four days to one as of the beginning of 2018 was a move in the right direction.

Expectations of the responsibility of the operations of companies and communicating about it have strengthened in recent times. We at Elo also want to showcase the responsible guidelines of our operations and practices better. This annual and responsibility report is part of making our responsibility visible. We have realised it using the GRI standards where applicable.

I want to thank our customers, partners and personnel for the year 2017. Let's continue the good cooperation in 2018 as well!

Satu Huber
CEO

Elo 2017

overall return on investments

7.4%

investment assets

23.1

EUR billion

pensions paid

3,135

EUR million

Summary of key figures

	31.12.2017	31.12.2016
Company size		
Premiums written, EUR million	3,510.8	3,321.5
Pensions and benefits paid to pensioners, EUR million	3,135.0	2,982.0
Pensions and other benefits paid, EUR million ^{*)}	3,444.2	3,310.7
Technical provisions, EUR million	20,134.5	18,527.4
Pension assets, EUR million ¹⁾	23,443.9	21,825.3
Investment assets at fair value, EUR million	23,052.8	21,507.3
TyEL payroll, EUR million	12,717.0	11,943.7
YEL earned income sum, EUR million	1,824.2	1,861.6
Number of TyEL policyholders	45,100	45,100
Number of TyEL insured	424,500	407,600
Number of YEL policyholders	84,000	84,600
Number of pensioners	227,200	219,700
Number of personnel (average work contribution)	462	451
Result		
Loading profit, EUR million	23.3	29.1
Operating expenses as % of loading component	80.9%	76.7%
Transfer to client bonuses, EUR million	72.1	58.3
Transfer to client bonuses (%) of TyEL payroll	0.57%	0.49%
Solvency capital, EUR million	4,815.5	4,270.9
ratio to solvency limit	1.6	1.8
Pension assets, % of technical provisions	125.9%	124.3%
Net investment income at fair values, EUR million	1,607.6	1,147.4
Net return from investment on capital employed, %	7.4%	5.6%

^{*)} Claims paid as shown in the income statement without expense loading components available for claims and working ability maintenance.

¹⁾ Technical provisions + solvency capital

Elo ensures its customers' pension security

Elo is an employment pension company owned by its customers. Our basic task is to take care of the statutory employment pensions of our customer companies' employees and entrepreneurs. Earnings-related pension is an important part of the social security of Finnish employees and self-employed persons. Employers insure their employees through TyEL insurance and self-employed persons take out YEL insurance.

We are responsible for the future pensions of more than 500,000 employees and self-employed persons. We invest the assets we collect from our customers as pension contributions profitably and securely and use them to pay current as well as future pensions. Our investment assets amount to

over EUR 23 billion. We provide current pensions to about 220,000 pension recipients, for example.

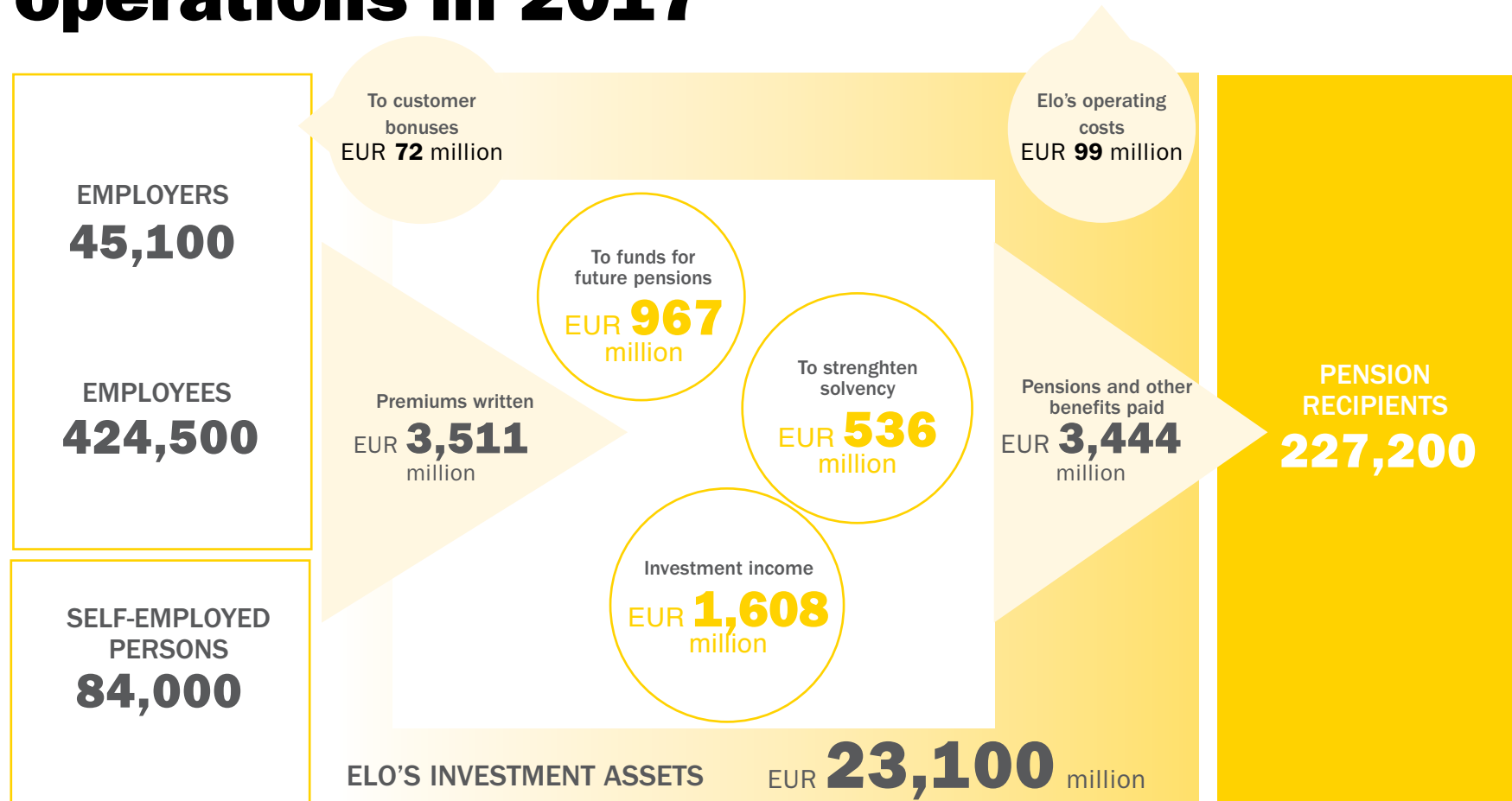
Elo is involved in many phases of companies' and people's lives. Through the management of risk of incapacity for work and rehabilitation, we are involved in lengthening working careers, which is important for the individual, companies and society. Maintaining the capacity for work and preventing sickness absence help our customer companies to prevent resulting costs.

Elo employs approximately 500 pension insurance specialists. We are the pension insurance partner of Fennia, LocalTapiola and Turva. Our head office is located in Tapiola, Espoo.



Elo is involved in many phases of companies' and people's lives.

Illustrated summary of Elo's operations in 2017



We insure both the employees of our customer companies and self-employed persons.

We safeguard the future pensions by investing pension assets in a profitable and secure manner.

An employment pension provides income security when an employee or self-employed person retires. We grant and pay pensions correctly and on time to our pension recipients.



**Responsibility
is included in our
basic task.**

Responsibility at Elo

As an employment pension company, Elo plays a central role in society. We are in a position of trust and carry major responsibility in the Finnish society by managing pension assets, insuring employees and self-employed persons and taking care of pensions.

Our key stakeholders include our customer companies, shareholders, administrative bodies and advisory committees, insured people and pension recipients, sales partners LocalTapiola, Fennia and Turva, the authorities, pension sector organisations, entrepreneur associations, the media, schools and scientific communities, service providers and our own personnel. We engage in active discussion and develop our operations in co-operation with many of our stakeholders.

Elo employees take part in cooperation and development in the employment pensions sector extensively. We are involved in various working groups in the sector and act as experts in matters being prepared for statements, for example. In particular, key working groups include the groups of the Finnish Pension Alliance TELLA, Finance Finland (FA) and the Finnish Centre for Pensions (ETK).

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Elo employees take part in cooperation and development in the employment pensions sector extensively.

Responsibility is included in our basic task

Elo's mission is to ensure its customers' pension security.

Our vision is that Elo grows and develops to be recommended by customers, trusted by the partners and highly valued by society.

Responsibility is incorporated into Elo's strategy and associated with all of our strategic target areas: solvency, performance and growth.

This annual and responsibility report provides information about Elo's operations and the development of responsibility in 2017.

Responsibility is crystallised in our strategy

Influential force in the Finnish employment pensions sector

We act in a responsible and competent manner and engage with different stakeholder groups in the renewal and reform of the employment pension sector.

Our services support our client companies, which enables us to contribute to growth, employment and workplace well-being in the Finnish economy.

Competitive and efficient

We operate efficiently and competitively in order to generate added value for our customers.

We are competitive in all customer segments: Elo is the preferred choice for self-employed persons and small and medium-sized companies, and an attractive alternative for large companies.

Taking care of our customers' pensions

Expert partner in pensions

The customer is the starting point for everything we do.

Together with a comprehensive and robust network of partners, we operate close to our customers and offer a convenient and high-quality service.

Solvent and responsible investor

The aim of Elo's investment operations is to obtain a good long-term return on pension assets, in relation to the risk level, to support the financing of pensions.

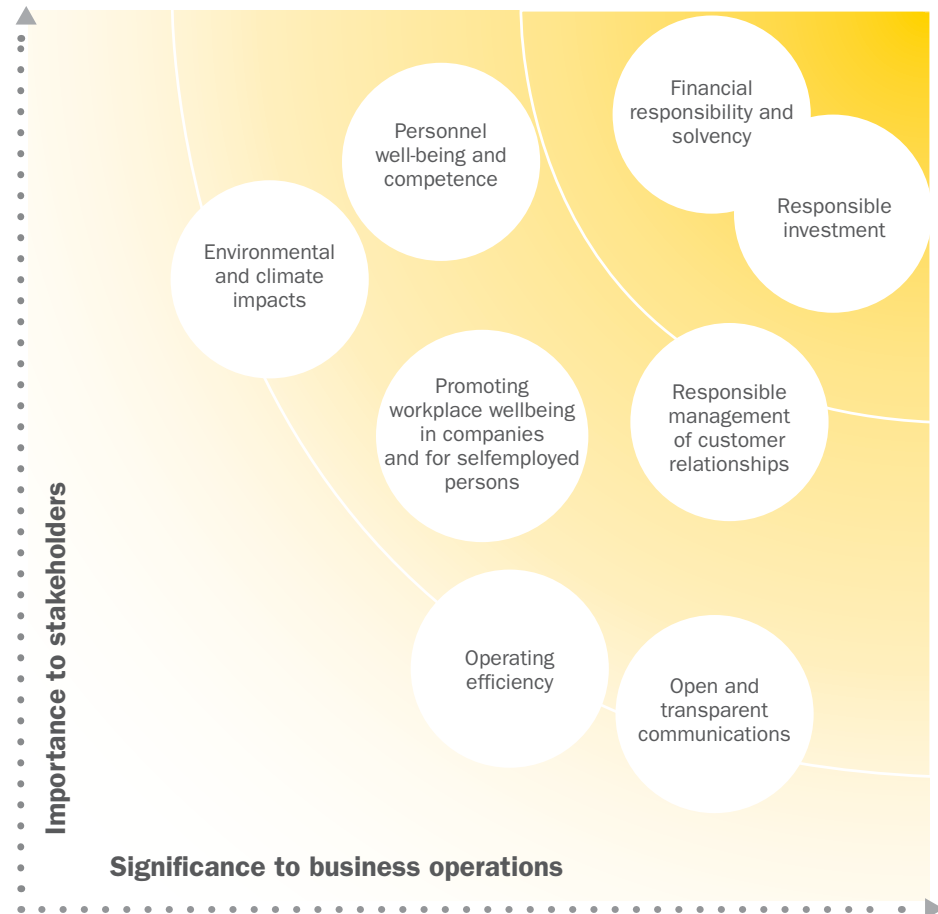
We pay competitive bonuses to our customers.

Expectations for Elo's responsibility

In autumn 2016, we conducted a materiality assessment to find out what our stakeholders expect from Elo's responsibility. For the assessment, we interviewed representatives of our customers, personnel, the authorities, the media and the scientific community. The most material elements of responsibility according to the respondents and an evaluation of their importance to our business are illustrated in the adjoining figure. Our stakeholders consider financial responsibility, solvency and responsible investment the key elements of responsibility.

In 2017, we continued the development of our responsibility reporting and adopted the Global Reporting Initiative (GRI) framework to support our reporting where applicable. In reporting on the development of the areas of corporate responsibility, we use Elo's own and GRI-compliant indicators regarding the areas considered the most material. The indicators are summarised in a single table.

The financial indicators are figures from Elo's financial statements, the personnel indicators were retrieved from our HR system and the other figures from diverse business systems.



Organisation of responsibility at Elo

At Elo, corporate responsibility is included in our day-to-day business. The financial and communications units coordinate the reporting on corporate responsibility. The reporting is supported by a network comprised of specialists from Elo's different business areas, and its members take part in collecting corporate responsibility information and contribute to the creation of a culture of responsibility at Elo. The aspects of corporate responsibility are taken into account in long-term development.

Elo's financial annual reporting consists of the annual and responsibility report, Board of Directors' report and financial statements, statement on non-financial information and a separate corporate governance statement. The Board of Directors of Elo approves the annual and responsibility report as part of the company's overall financial annual reporting.

Responsible investment is an integral part of the investment process at Elo, with everyone at Elo involved in the analysis, selection, decision-making and monitoring of investments considering the inclusion of responsibility in investment decisions. To promote the practice of responsible investing, there is a responsible investment steering group and an ownership policy steering group operating at Elo. The Head of Responsible Investment is responsible for coordinating responsible investing at Elo.

FOCUS AREAS OF ELO'S RESPONSIBILITY

Responsibility for pension security

Responsible management of customer relationships and development of working life

Responsible management and investment of pension assets

Responsibility for personnel well-being and competence

Environmental and climate impacts

Active communications and influencing

Good and transparent governance

Elo's tax footprint

Paying taxes is a central part of a company's role in society, and it illustrates the financial impact on society. By publishing the footprint we can show the taxes we pay on our various operations.

Tax footprint reporting is voluntary for companies and no fixed formats or models exist for the calculation or presentation of the report. Elo's tax footprint reporting is based on the company's financial statements information.

Our main task is to safeguard and pay pensions. In 2017, we paid a total of EUR 3,124.5 million in

pensions, of which EUR 619.4 million was disbursed to the tax authorities in the form of withholding taxes.

We employ a significant number of people. The employer's prepayments of withholding tax and social security contributions on paid salaries and other remuneration are included in Elo's tax footprint. In 2017, the withholding taxes paid on the earnings of Elo's personnel totalled EUR 9.9 million.

Insurance operations are a service not subject to value added tax, and so the indirect taxes included

in operating expenses are not deductible for Elo. In 2017, we paid value added tax totalling EUR 5.9 million on our own purchases.

Taxes paid on investment operations include tax at source collected by the country of domicile of the party paying the investment income, property taxes on directly owned real estate, and non-deductible indirect taxes on expenses related to ownership of real estate investments and on operating expenses of investment operations.

TAXATION OF OTHER BUSINESS OPERATIONS

EUR million	Tax base	Taxes paid
Wages and salaries of personnel	30.3	9.9
Other operating expenses	78.8	5.9
Pensions paid	3,124.5	619.4

TAXATION OF INVESTMENT OPERATIONS

EUR million	Net return before taxes	Taxes paid	Refunds received	Net return after taxes	Taxes, total
Interest income	134.2			134.2	
Dividend income	352.0	10.3	3.3	345.0	7.0
Real estate income	63.2	1.8		61.3	1.8
Other investment income and expenses	581.2	1.5		579.7	1.5
Value adjustments in bookkeeping	519.8			519.8	
Change in valuation differences	-32.5			-32.5	
Investment income, total	1,617.9	13.6	3.3	1,607.6 ¹⁾	10.3

¹⁾ Net investment income at current value

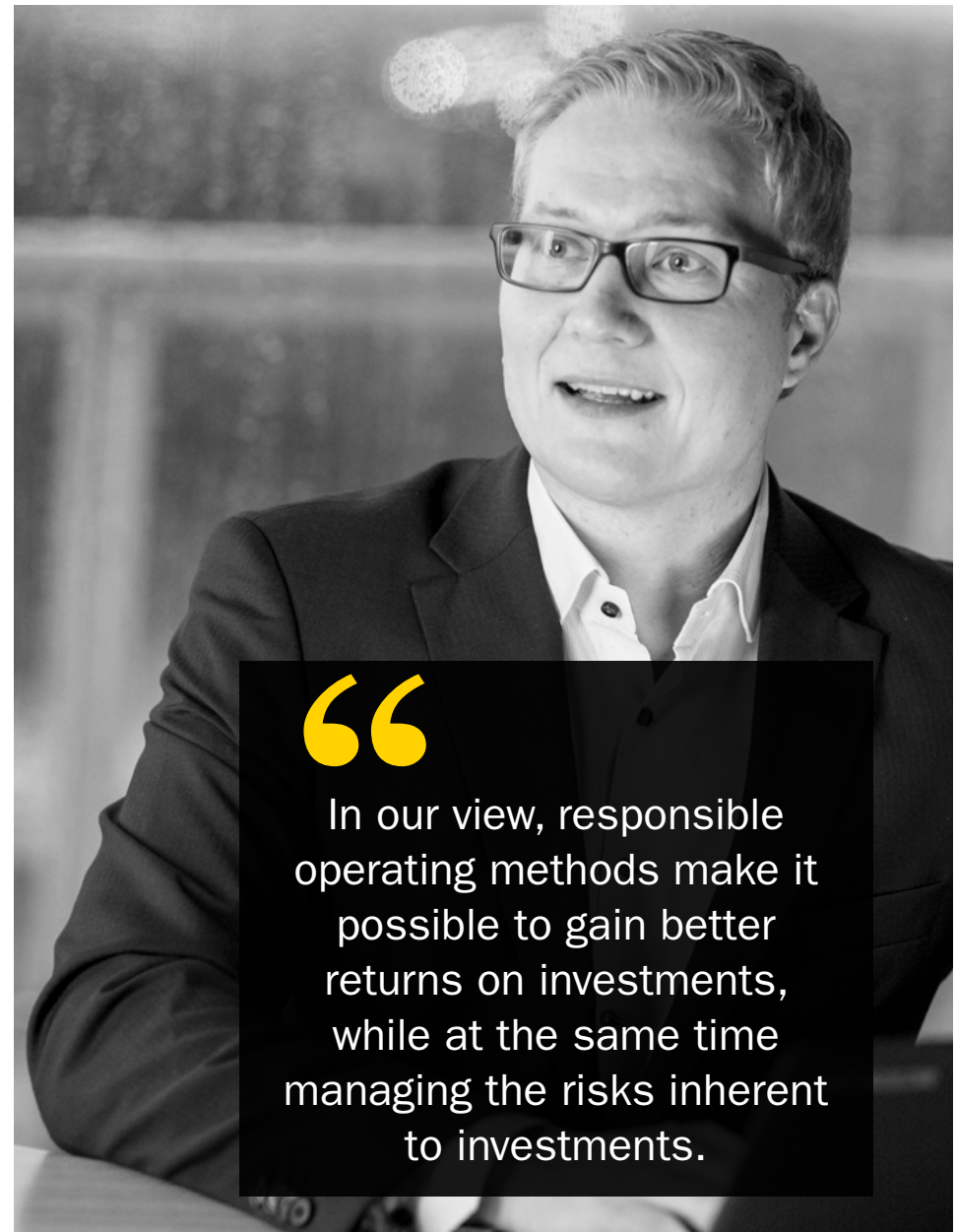
Responsible investments

Responsibility is an integral part of our investments. We ensure that pensions are safeguarded for future generations as well.

The objective of Elo's investments is to ensure the profitable and secure investment of employment pension assets. Elo's principles for responsible investing are also based on corporate social responsibility: our accountability to policyholders and the insured. Reflecting Elo's mission, the investment process is independent, autonomous and focused on the long term. The responsibility for pension assets extends forward for decades.

Economic growth was strong and better than expected in all main economic areas in 2017. The year turned out to be excellent for investments. Our overall investment returns were 7.4 per cent. Of our various asset classes, equity investments produced the best return, at 16.6 per cent. The return on fixed income investments was 1.4 per cent, and the return on real estate investments was 7.6 per cent.

The time horizon of a pension insurance company is long, and profitable and secure long-term returns are key. The average nominal return of Elo's investments over 5 years was 6.3 per cent and over 10 years 4.9 per cent. The real return over 5 years was 5.5 per cent and over 10 years 3.4 per cent.



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In our view, responsible operating methods make it possible to gain better returns on investments, while at the same time managing the risks inherent to investments.

More detailed information about the investment year 2017 is available in the Board of Directors' report.

The employment pension assets are invested in compliance with the company's strategy and policy. Responsibility is present in the selection and monitoring of investments, and it is also subject to constant development. The aspects of environmental responsibility, social responsibility and corporate governance are incorporated in all our investment operations. Our fundamental idea is to operate in different investment markets to generate the best possible return on funded pension assets in all market conditions at the selected risk level.

In our view, responsible operating methods make it possible to gain better returns on investments, while at the same time managing the risks inherent to investments. Our principles of responsible investing apply to all asset classes, taking into account their special features and the form of investment.

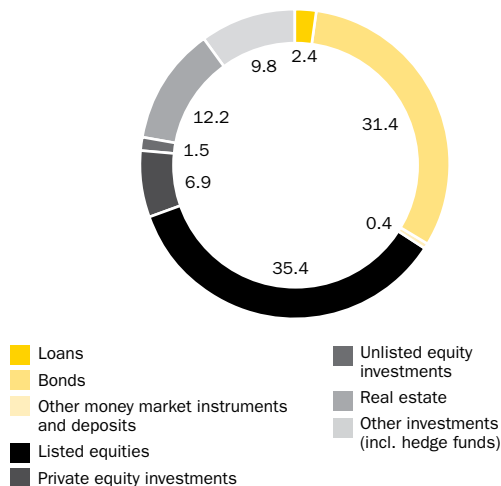
Managing responsible investments

Elo's Board of Directors approves the company's principles of responsible investing. The Executive Group of investments is responsible for preparing and updating the principles. It is supported by the responsible investing steering group, comprised of a diverse set of Elo's investing professionals. The

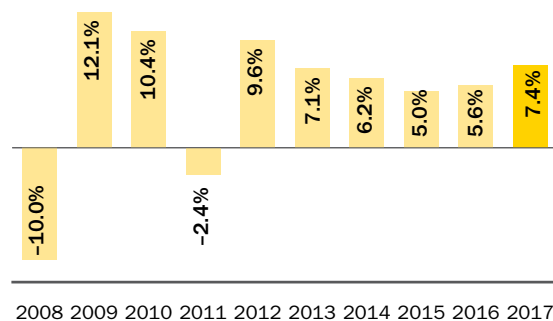
responsible investing steering group convened nine times in 2017. The Head of Responsible Investment is responsible for coordinating responsible investing at Elo in practice. The steering group includes a representative from each asset class.

The investment organisation is regularly trained on the principles and practices of responsible investing. The 2017 trainings included two internal seminars on the positive climate impact and carbon risk of investments. During 2017, an online course on responsible investing aimed at all investment personnel was also deployed.

INVESTMENT DISTRIBUTION 31 DEC 2017, risk distribution %



INVESTMENT INCOME 2008–2017 (10 YEARS)



Pro forma figures from 2008–2013 are the combined figures of Pension Fennia and LocalTapiola Pension Company.





We have signed and committed to the UN Principles for Responsible Investment (PRI). 2017 saw the 10th anniversary of Elo's preceding companies signing the principles. As a signatory to the principles, we aim to comply with and promote the aspects associated with the environment, society and good corporate governance (ESG) in investment analyses and decisions as well as in terms of ownership policy. We annually report on the development of our responsible investment practices to PRI and annually publish PRI reports on our website.

Elo's principles of responsible investing and responsibility with regard to investment operations consist of the following areas:

1. responsible operating methods
2. compliance with international norms
3. the assessment of responsibility as part of the analysis, decision-making and monitoring related to investments, as well as
4. ownership steering and other means of influence.

Our principles of responsible investing provide more detailed information about our ways of working. The principles are available on Elo's website.

Responsibility of our own operating methods

Our view is that responsible operating methods can reach better returns on investment and manage the risks associated with investments. Compliance with carefully agreed investment processes and principles minimises miscalculations. The tools cover the analysis of investments from the points of view of both finances and responsibility. In 2017, we expanded and deepened the ESG analysis of investments besides direct equity investments to also cover indirect investments, including passive index investments.

We continuously develop the risk analysis of investments and investment portfolios.

Digitalisation plays an increasingly important role in our investment operations. In practice, it translates into better and more efficient management and utilisation of data. Technology allows making better investment decisions and reduces human error.

The responsibility of our own operating methods also includes careful cost control. With regard to taxation, for example, we aim to avoid multiple taxation of investments. It is important for future pensioners that a pension insurance company does not pay taxes many times over. The return on investments is used for safeguarding future pensions, making it possible to mitigate pressure to increase employment pension premiums.

Engagement is a major part of responsible investing activity

We meet regularly with representatives of the management of the companies in which we hold an interest, and we attend general meetings, either directly ourselves or through a partner. In 2017, Elo attended a total of 85 general meetings of listed companies both in Finland and abroad. In Finland, our attendance rate at the general meetings of the companies directly owned by Elo was nearly 100 per cent. Outside of Finland, we attended general meetings through a partner who was provided with clear instructions regarding our objectives before the meeting. In 2017, we also began attending general meetings in emerging markets, with an attendance rate of 75 per cent.

Active ownership also includes attending general meetings and, if necessary, also influencing by voting. Where necessary, we vote differently from the proposals of the Board of Directors at general meetings in agenda items we consider important if our view differs from the Board's proposal. In 2017, we voted against the Board's proposal in questions relating to the election and remuneration of Board members and good corporate governance in a total of 14 agenda items at 10 per cent of the general meetings we attended. For example, we voted in deviation of the Board's proposal in a case in which the CEO of a company was also proposed to be elected as Chair of the Board.

In unlisted companies, our attendance rate was 65 per cent; however, this covers 98 per cent of the invested assets. In infrastructure investments, our attendance rate was 75 per cent, covering 90 per cent of the invested assets.

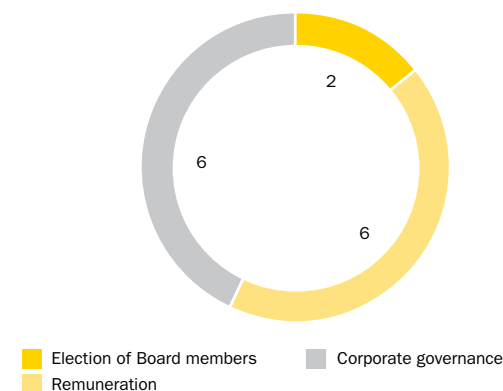
Elo also influences companies by participating in their nomination committees. In 2017, Elo was represented on the nomination committees of seven companies in Finland. Elo's ownership policy is published on our website, and it was updated in early 2017. In conjunction with the update, new areas of corporate responsibility were incorporated into the policy on the transparency of taxation, realisation of corporate responsibility and reporting on goals. Elo's ownership policy steering group prepares the ownership policy concerning Finnish companies. The members of the steering group include Elo's CEO and executives from the Executive Group and investment operations. The group convened five times during 2017.

We meet regularly with representatives of the management of the companies in which we hold an interest. One of the purposes of such meetings is to ensure that the company operates on a sustainable basis and in compliance with Elo's principles of responsibility. If the company significantly deviates from these principles, we seek to exert our influence to make the company address such shortcomings. If the company fails to rectify the situation, Elo may disinvest, even if the company otherwise meets our investment criteria.

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At Shell's general meeting, we voted against the management's remuneration scheme because the performance bonus structure encouraged the company to stick to the old business model and was in conflict with the Paris Agreement's two-degree scenario.

NUMBER OF TIMES ELO VOTED IN DEVIATION FROM THE BOARD'S PROPOSAL



We also exert influence on our external fund managers. We regularly meet the managers, discussing, depending on the fund and its investments, individual companies, how the manager realises the ownership policy or other responsibility-related aspects. Often, the best way to obtain a true picture of how ESG issues are observed in investments is through direct discussions with fund managers. Of the active equity and corporate loan funds that we use, 92 per cent have signed the UN Principles of Responsible Investment (PRI). Keeping the perspectives of responsible investing in the spotlight is also an important part of responsibility. During 2017, Elo actively highlighted the viewpoints of responsible investing in its communications and took part in several seminars in the sector in Finland and abroad. In addition, Elo's representatives are involved in various working groups to promote corporate responsibility and responsible investing, such as Tokmanni's Responsibility Advisory Board, Finance Finland's (FA) climate reporting working group, PRI's Private Equity working group and Finsif's board and working group.

We regularly assess the responsibility of our investments

We assess the responsibility of investments through "ESG" aspects – environmental responsibility (E), social responsibility (S) and corporate governance (G). Responsible investment aims at a better risk-return-ratio of investments by combining two points of view: risk mitigation and utilisation of

opportunities. In practice, this means that we assess the ability of our investments to manage and mitigate their ESG risks and opportunities of utilising the themes of sustainability in their business (UN Sustainable Development Goals).

Responsible investment is integrated in the investment process alongside conventional investment analysis metrics. The ESG score and classification are an integral part of assessing an investment. We aim to identify each company's material ESG aspects and assess the company's ability to manage them. These aspects make up the company's ESG score. We pay attention to the level of the ESG assessment, trends and the ranking of the company within its sector. In the assessments, we use an international service provider's extensive ESG analysis, supplemented by our own analyses, if necessary.

Elo uses a monitoring process for breaches of norms, using an external international service provider as the source of information. Monitoring covers 85 per cent of equity investments and 88 per cent of corporate bond investments. The coverage of all of Elo's investment assets is 40 per cent. With regard to non-compliance, the analysis covers a total of 120 global standards and norms, such as the international norms confirmed by the UN and its suborganisations, such as the ILO and OECF Guidelines.

The responsibility of investments is assessed in each asset class in a way suitable for the investment. With regard to equity and corporate bond investments, we expect the companies we invest in to comply with the Global Compact principles, which include ten standards covering human rights, the environment and anti-corruption. If the investment does not meet Elo's responsibility principles, we are able to commence the influence process when it is reasonable, considering the real possibilities of making a difference. In government bond investments, the model of assessing responsibility is based on Transparency International's Global Corruption Perceptions Index (CPI), avoiding investments in the bottom quartile. In hedge fund investments, the transparency of the investment process and investment portfolio and good corporate governance are emphasised in particular. With regard to real estate investments, standards and norms applicable to the real estate sector are complied with in all activities connected to the management of the real estate portfolio, such as developing and property appraisals. In indirect investments, the assessment of responsibility concerns both the investment and investment strategy and the service provider.

We exclude companies manufacturing controversial weapons from our direct equity and corporate bond investments. In 2017, we decided to exclude tobacco companies from these investments as well.*)

*) Tobacco companies: MSCI Tobacco sector companies
Controversial weapons: cluster munitions, anti-personnel mines, biological and chemical weapons, nuclear weapons and depleted uranium. The exclusion criteria are based on an analysis by MSCI ESG Research.

Climate change challenges the activities of an investor

In spring 2017, we published Elo's climate strategy for investments. Climate change is one of the greatest challenges humankind is facing and, therefore, climate change mitigation is one of the UN's Sustainable Development Goals. The World Economic Forum has estimated that the failure of economies to adapt to climate change is among the top five global risks. As a pension investor, Elo's responsibility for pension assets extends decades into the future. For this reason, the risk assessment of investments must take climate change into consideration. Our objective is to ensure sustainable returns for our investments, taking into account the challenges that climate change imposes on the financial markets and our investments.

At Elo, we acknowledge that climate change can influence our investment environment and investment operations. We believe that it is important to respond proactively to climate change, to actively assess the risks of climate change and, also, to actively seek and leverage sustainable development solutions as part of efforts to work toward the 2 degree global target, i.e. the scenario in which global warming can be limited to two degrees. Our climate strategy aims at a comprehensive assessment of the climate risks and to capitalise on the investment opportunities introduced by climate change.

Objectives of our climate strategy

Our climate strategy comprises two primary goals and sub-goals that support their realisation. The

long-term goal is for a significant portion of our investments to be aligned with the UN's Sustainable Development Goals by the year 2025. This goal applies to direct equity and corporate bond investments and all infrastructure and real asset investments. As an ongoing goal, we strive to ensure that our investments don't involve excessive climate risk. Each year, we calculate and report the carbon footprint of our investment portfolio, and we use the results as part of the assessment of carbon risk.

Elo has joined the Energy Efficiency Agreement for the property sector, and commits to the action programmes for business and residential properties. All properties in which Elo is a direct majority owner will be incorporated into the agreements, covering approximately 80 per cent of direct real

estate investments. The savings target for 2017–2025 is a minimum of 7.5 per cent of the annual energy consumption of the properties. The energy efficiency improvement plan prepared in accordance with the Energy Efficiency Agreement will be reviewed each year and updated as necessary.

We strive to reduce carbon risk

With regard to the carbon risk of our investments, we assess the level of the risk, its development and the ranking of investment within its sector. We continuously develop ways of assessing the risks related to climate change to further reflect the risks in the different asset classes, sectors and companies. Our goal is also to be able to assess whether carbon risk is sufficiently taken into consideration in the valuation of our investments.

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Elo's climate strategy is aligned with the UN's Sustainable Development Goals.



UN's Sustainable Development Goals

Source: www.un.org



We pursue to reduce the carbon risk of our investments whenever reasonable with consideration for the other investment perspectives. We commit to measuring the carbon footprint of our investments on an annual basis as a signatory to the PRI Montréal Pledge. We will pursue the expansion of our calculations to be more comprehensive. We also consider the carbon sink of our forest investments as part of our carbon risk analysis.



ASSET OWNERS' DISCLOSURE PROJECT

2017 GLOBAL CLIMATE INDEX
THIS FUND RANKS AMONG THE TOP 3% OF ASSET OWNERS IN THE WORLD WHEN IT COMES TO MANAGING CLIMATE RISK.

International climate organisation AODP placed Elo in the best AAA category and also rated the company 10th among 500 asset owners globally with regard to taking climate change into consideration in 2017. Our rating improved significantly from the previous year when Elo was the best among Finnish

asset owners, rated 78th. Elo's rating compared to the previous year improved as the result of taking climate change comprehensively into consideration and the objectives set in the climate strategy. The aspects assessed include climate change strategy, climate risk management as well as the metrics and targets set by the company. Elo fared well in all aspects. Elo's performance was particularly good in setting targets and metrics: we were rated 6th in the global comparison.

Carbon footprint decreased

The carbon footprint of Elo's listed equity investments was 154 (tCO₂e/MUSD) and it decreased by 25 per cent year-on-year. The carbon intensity of equity investments was 230 (tCO₂e/MUSD), 15 per cent lower than the comparison index. Carbon intensity decreased by 4 per cent compared to 2016. The carbon intensity of Elo's corporate bond portfolio was 308 (tCO₂e/MUSD) and it decreased by 15 per cent year-on-year. The coverage of calculating the carbon footprint of the

corporate bond portfolio was increased in 2017 to also fund investments in addition to direct investments. The carbon footprint of Elo's direct real estate investments normalised by investment assets was 16 (tCO₂/MEUR), and it decreased by six per cent year-on-year. The carbon footprint calculation covers 47 per cent of Elo's investment assets.

Influencing the combat against climate change

Our objective is to influence companies to disclose their climate impacts and reduce their climate risks. We also encourage companies to find business opportunities from mitigating climate change. Elo is a member of CDP's climate change, water and forest programmes. CDP is the world's biggest provider of environmental information, requesting information about companies' environmental impacts and objectives annually on behalf of investors.

We also strive to influence our external fund managers to take climate aspects into consideration in their investments. This way, we aim to influence the development of the financial sector in a more sustainable direction. Our goal is for each of our external fund managers to commit to considering climate change in their investments by the year 2020.

Together with other investors, we pursue to influence decision-makers so that their actions encourage companies to move towards a low-carbon society. To further this objective, Elo was the first Finnish investor to join IIGCC (The Institutional Investor Group on Climate Change) in 2017. IIGCC is a collaborative forum of institutional investors. Its

mission is to encourage policy makers, investors and companies to consider the risks and opportunities caused by climate change. IIGCC's members include 150 investors from 12 countries, and their managed assets total over EUR 2,100 billion. IIGCC membership allows Elo to take part in influence processes involving a significant number of other investors as well. Goal-oriented cooperation can significantly increase the value and possibilities of practical success of influencing.

In 2017, we invested particularly in influencing climate change. Influencing companies is usually more effective the more investment assets are involved. This is why we prefer influence projects involving a significant number of other investors.

We decided to take part in influencing the world's heaviest polluters with over 250 other investors in the Climate Action 100+ project. The aim of the project is to influence over 100 of the world's biggest polluters over five years to make them reduce their emissions, strengthen their climate-related financial disclosures and improve their climate change risk management. The investment assets of the investors involved exceed USD 30,000 billion.

We publicly supported the disclosure recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) before the One Planet Summit in Paris. The TCFD recommendations aim to contribute to increased awareness of climate-related risks among companies and better availability of information on these risks in the market.

CALCULATIONS OF THE CARBON FOOTPRINT CALCULATION OF ELO'S INVESTMENTS

EUR million	Listed equities	Listed corporate bonds	Direct real estate
Market capitalisation (mEUR)	7,208	3,200	2,065
Data coverage	89%	89%	76%
Carbon footprint (tonnes CO ₂ e)	1,263,704	n/a	22,456
Normalised carbon footprint (tonnes CO ₂ e / invested mUSD)	154	n/a	16 ¹⁾
Carbon intensity (tonnes CO ₂ e / turnover mUSD)	230	n/a	n/a
Portfolio weight-adjusted carbon intensity (tonnes CO ₂ e / revenue mUSD)	256	308	n/a

¹⁾ tonnes CO₂e/MEUR

The calculations are based on data available to Elo.

CARBON FOOTPRINT OF INVESTMENTS Investment portfolio's carbon footprint (Scope 1 & 2) and Carbon intensity (CO₂e /million USD/EUR) ©2017 MSCI ESG Research Inc. Reproduced by permission. Although Elo's information providers, including without limitation, MSCI ESG Research Inc. and its affiliates (the "ESG Parties"), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

FUND MANAGERS' CLIMATE STRATEGIES

External fund managers with a climate strategy or other environmental programme

	Per cent of fund managers of the asset class
Equity funds	10%
Corporate bond funds	18%
Infrastructure funds	36%
Real estate funds	33%
Private equity funds	7%

We were also involved in influencing 59 international banks with over a hundred other investors to acknowledge the risks and opportunities caused by climate change in their operations and develop climate-related disclosures. The investment assets of the investors involved amount to almost USD 2,000 billion.

Investments in sustainable solutions

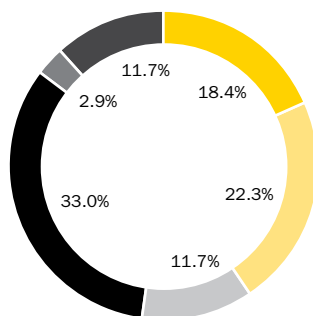
We aim to increase investments in sustainable solutions. The objective is to measure social positive impact in addition to financial performance. We strive to assess the positive impacts of our

investments separately in each asset class, and our aim is to systematically increase the share of such investments in the portfolios. Sustainable solutions are required to solve the world's biggest social and environmental challenges.

Of Elo's direct equity and corporate bond investment companies, 34 per cent provide solutions for the environment or society. In 2016, the corresponding figure was 24 per cent in equity investments and 22 per cent in corporate bond investments. In infrastructure and real asset investments, solutions with a positive impact are already provided by 44 per cent (40) of the investments in the portfolio.

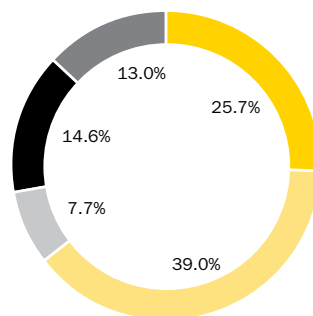
The positive impact from the annual growth of Elo's forest investments, i.e. carbon sink, increased by almost 50 per cent in 2017 to an estimated 175,000 (117,000) tCO₂. The carbon sink of forests compensates approximately 14 per cent of the carbon footprint of all of our equity investments. The carbon sink of forests owned by Elo totals approximately 4,400,000 (2,500,000) tCO₂, and it grew by 76 per cent during the year.

POSITIVE IMPACT OF INVESTMENTS, SOCIETY
(% of direct equity investment companies with a positive impact on society)



- Nutrition
- SME finance
- Sanitation
- Education
- Affordable real estate
- Orphan drugs

POSITIVE IMPACT OF INVESTMENTS, ENVIRONMENT
(% of direct equity investment companies with a positive impact on the environment)



- Alternative energy
- Sustainable water
- Energy efficiency
- Prevention of pollution
- Green building

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Monitoring solvency is part of risk management

The aim of Elo's investment risk management is to safeguard solvency in all circumstances. In a rapidly changing investment environment, it is important to be capable of anticipating and preparing for any unexpected changes.

The employment pension industry has a shared solvency framework model that is intended to cover losses from investment operations and to avoid sudden fluctuations in the level of insurance contributions. We prepare for the risk of investment operations by monitoring the overall risk exposure. We continuously monitor indicators of solvency,

such as the amount of solvency capital and risk indicators of different asset classes. Elo's solvency strengthened and stood at a good level in 2017. The solvency capital totalled 4,815.5 million at the end of the year. The solvency ratio was 125.9 per cent. The solvency capital was 1.6 times the solvency limit.

Environmental load of real estate properties reduced in cooperation with tenants

Responsibility is an integral part of Elo's real estate investment operations. Ecological, social and good corporate governance also plays an important role in the risk management of real estate investments. The aspects of responsibility are considered in the

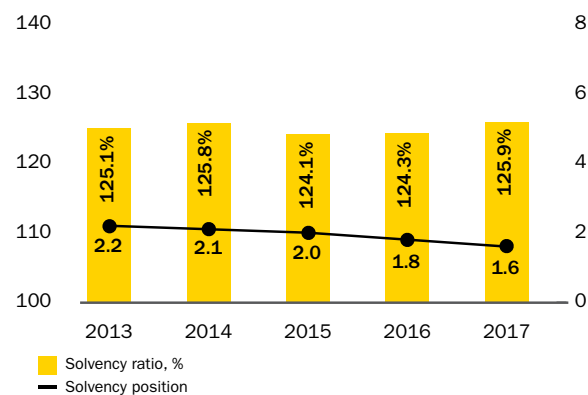


THE THEME FOR 2017 WAS THE POSITIVE ENVIRONMENTAL IMPACT OF INVESTMENTS

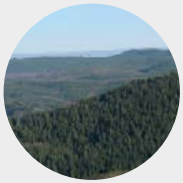
The responsibility theme in investment operations for 2017 was the positive environmental impact of investments. Our objective is that a significant share of the investments will support reaching the UN's sustainable development goals by 2025. In practice, this refers to a measurable positive impact on the environment or society. We strive to assess the positive impacts of our investments separately in each asset class, and our aim is to systematically increase the share of such investments in the portfolios.

Our goal is that by 2025 more than one half of our direct equity and corporate bond investments as well as all infrastructure and real asset investments would have a positive impact on the environment or society. To achieve this goal, we will increase investments in, for example, renewable energy, such as wind and solar power, forest and companies whose products and services provide solutions to sustainable development challenges.

SOLVENCY 2013–2017



2013 figures are Pro Forma figures of Pension Fennia and LocalTapiola Pension Company.



**CASE: L&C
TIMBERLANDS,
OREGON, USA**

Elo purchased a share of a 66,000 hectare forest in the Pacific Coast region in 2017. The region features excellent growth conditions and good connections to the large US and Asian markets. The forest investments aim at long-term, stable and predictable returns and diversification benefits with regard to other asset classes. The forests are SFI-certified, and good forestry safeguards the renewal and continued growth of the forest. Continuous and even accelerating growth maintains and also increases the amount of stored carbon dioxide. All of the forests owned by Elo have absorbed an estimated 4.4 million tCO₂ of carbon dioxide, and the annual growth of the forests has been estimated to absorb 175,000 tCO₂, which compensates 14 per cent of the carbon dioxide emissions of Elo's equity investments.

entire value chain of the real estate business from examining new investments and specifying the investment criteria to the continuous development of existing investments and their management.

The criteria for responsible real estate operations are also considered in partially owned investments and indirect real estate investments. As one of the biggest real estate investors in Finland, Elo is well-positioned to concretely realise responsibility and develop responsible real estate business. Among other things, we took part in creating joint responsibility disclosure metrics and reporting tools for the Finnish real estate sector in 2017.

Elo joined the Energy Efficiency Agreement for the real estate sector in 2017 with regard to both business and residential properties. We have committed to reducing the energy consumption of the properties we own by a minimum of 7.5 per cent during the energy efficiency agreement period 2017–2025.

During 2017, we organised events for tenants to save energy and promote the sustainable and responsible use of properties, and provided information about the actual consumption of

each property. In addition, we actively looked into the possibilities of minimising the environmental load of properties by using new technologies. At the Shopping Centre Sello, for example, the construction of a smart energy system utilising the storage of solar energy was commenced. This project – significant even on an international level – will provide savings to the entrepreneurs of the shopping centre while improving energy efficiency and conditions in the building.

Facilities management aims to minimise environmental load

Within facilities management, one focal point is to minimise the environmental loading of our investments. In terms of real estate properties owned by the company, Elo invests in measures to reduce the energy and water consumption and carbon footprint, and to advance waste management and recycling. These consumption figures are measured and monitored per individual property. The normalised energy consumption of direct real estate investments in Finland was 121,224 MWh in 2017 and the carbon footprint of the properties was totalled 22,456 tCO₂e,



and carbon footprint normalised by investment assets was 15.67 tCO₂e/EUR million. The water consumption of real estate investments was 421,959 m³. The reported properties accounted for 76 per cent of direct real estate investments.

The development of responsibility disclosures and metrics will continue during 2018. Moreover, cooperation with tenants and partners will be developed further.

The carefully picked and well managed network of partners plays an important role in the concrete realisation of responsibility. In 2017, we made significant changes to the rental and facilities maintenance activities concerning our residential

premises, and also renewed our partner network. Elo acknowledges the importance of housing and business premises to its customers as well as a positive customer service approach. We developed the management processes of direct real estate investments to be more customer-driven in 2017. Through responsible facilities rental and management activities, we aim to ensure that the tenants and companies occupying the premises are provided with a healthy, safe and pleasant work environment and homes, while at the same time minimising the environmental loading. We also actively strive to minimise the environmental loading of our operations. The energy consumption of our own office building is monitored as part of our direct real estate investments.



Elo is involved in initiatives supporting responsible investing.

Responsibility for our customers

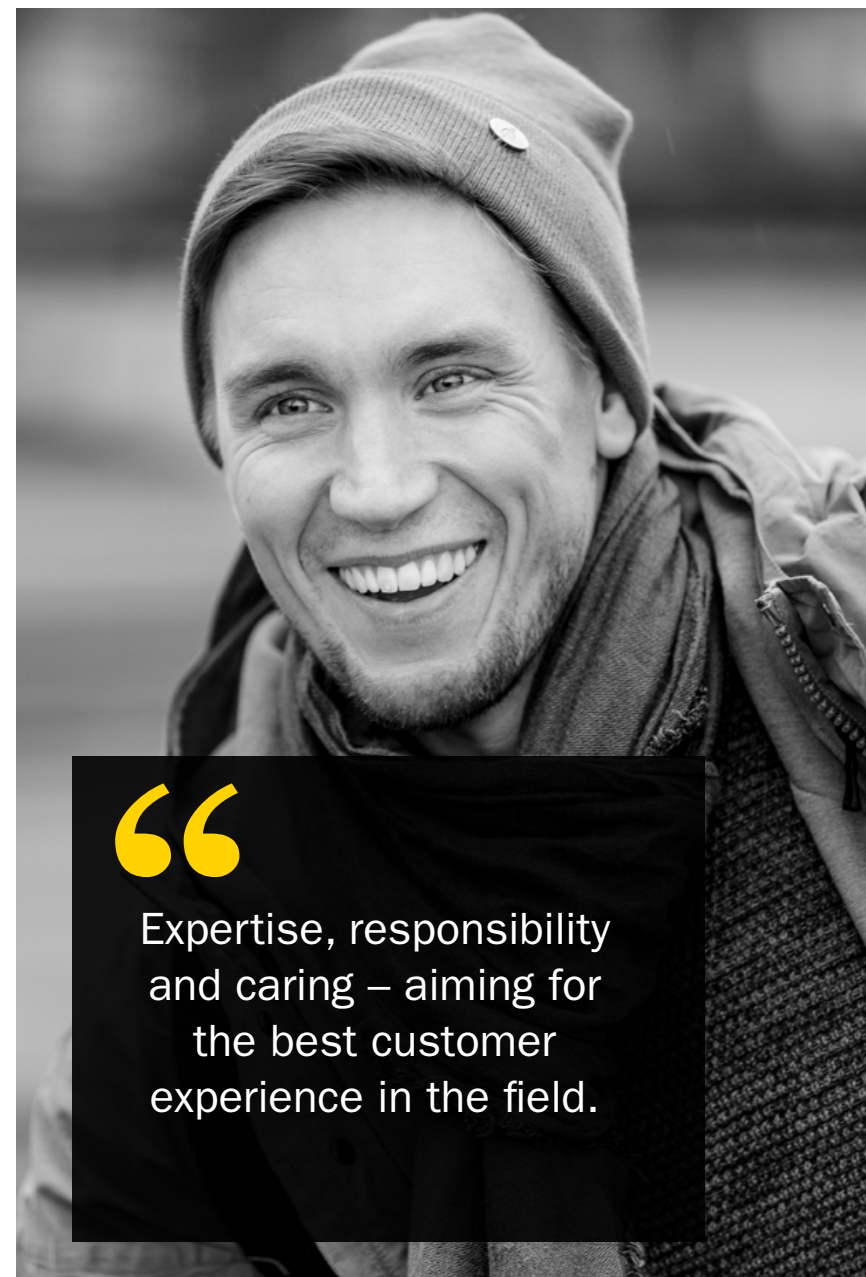
We at Elo exist for our customers as a reliable employment pension insurance partner.

Employees' statutory pension insurance is arranged through TyEL insurance and self-employed persons' pension insurance through YEL insurance. The fact that approximately one in three companies and approximately 40 per cent of self-employed persons have selected Elo as their employment pension insurer is an indication of the confidence our customers have in us. Close and effective collaboration with Fennia, LocalTapiola and Turva safeguards the availability of employment pension insurance services across Finland through our partners' service network.

At the end of 2017, Elo was responsible for the pension insurance of about 84,000 self-employed persons and for the employment pension insurance taken out by 45,100 employers, covering a total of almost 424,500 employees.

Striving for excellent customer experience

Our objective is to provide an excellent customer experience in each customer contact, whether online, by telephone or one-on-one meetings. Already almost 74 per cent of our TyEL customers and 54 per cent of our YEL customers use



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Expertise, responsibility and caring – aiming for the best customer experience in the field.



our online service. In 2017, our insurance services received a total of some 100,000 customer service calls, of which we answered approximately 97,000, so our answering rate was very high, 97 per cent. Our average time to answer was approximately 30 seconds.

The functionality, availability and speed of services are only the basic precondition on which the

customer experience is built. Our customer service is comprised of professional competence, responsibility and caring. Elo has been working hard for the customer experience for years, but we emphasised it even stronger during last year. In autumn 2017, we launched a centre of excellence in Elo's insurance services, aiming to ensure an excellent customer experience across all service channels.

Our customers benefit from the efficiency of our operations

In employment pension insurance companies, both operational efficiency and the company's solvency have impacts on the customer bonuses which reduce the employer's final insurance contribution.

CUSTOMER-CENTRIC SERVICE DEVELOPMENT

We began collecting feedback from calls by SMS to assess and develop the customer experience in insurance services in September 2017. We asked our customers for their score on a scale of 0–10 (Net Promoter Score) and whether they managed to resolve their matter in a single call. In addition, our customers may provide open-ended feedback. During September–December, approximately 2,200 customers responded to our survey.

Based on the feedback we received during these four months, our customers rank our services very high, and most of them were able to resolve their case at once. The results are very valuable to us as we are developing our customer service to be even better. Our objective is that managing insurance-related matters with us will be even smoother in the future and that our customers' expectations are exceeded in every call.

INSURANCE POLICY VALID EASILY AND QUICKLY

The first step in smooth employment pension insurance is to make the insurance valid as simply as possible. In 2017, we reformed our electronic TyEL and YEL insurance applications in cooperation with our customers. Approximately 80 per cent of TyEL insurance applications and more than 70 per cent of YEL insurance applications become valid immediately and automatically.



The measurement of efficiency is based on the expense loading ratio, which indicates the ratio between expense loading and the share of it used to cover operating expenses. In 2017, Elo's operating expenses were 80.9 per cent of expense loading. For 2017, Elo will transfer EUR 72.1 million to customer bonuses, in other words 0.57 per cent of the TyEL payroll.

We prepared for the adoption of the income register

The national income register will be adopted on 1 January 2019. The income register is a joint project of the Ministry of Finance and the Tax Administration, involving the employment pension sector and various other stakeholders.

The objective of the income register is to make it easier for employers to fulfil their statutory obligations. In the future, employees' income data will only be reported to a single income register. The income register will replace current notifications

submitted to the Tax Administration, employment pension insurers and unemployment insurance funds, among others.

With regard to TyEL insurance, this means that the annual and monthly notifications will be discontinued as of 1 January 2019. The earnings and employment relationships of an employee will no longer be reported to Elo via Elo's online service, for example, but to the income register from which Elo will receive the necessary information. The income register notification schedule is five calendar days from the payment of salary.

An employer should prepare for the adoption of the income register by ensuring that the current payroll system is updated to meet the requirements of the income register. In addition, it is recommended to adopt e-invoicing, as the number of invoices may increase with the salary payment-specific reporting. In fact, we added a feature to our online service during 2017 to allow our customers to easily

adopt e-invoicing if they already have an e-invoicing address.

The income register will not have impacts on the concept of a self-employed person's YEL earned income. The earned income is not reported to the income register; instead, the self-employed person will continue to determine their earned income based on their work input and accumulate pension based on it.

The aim is to open the income register to the income earners later during 2019, allowing everyone to view their own earnings data. As of 2020, pension and benefit information will also be reported to the income register, at which time the income register will provide the income earner with a real-time overview of their salary and benefit data for the first time.

Supporting the development of well-being at work

We help our customer companies to improve well-being at work and extend careers by offering support for systematic working capacity management.

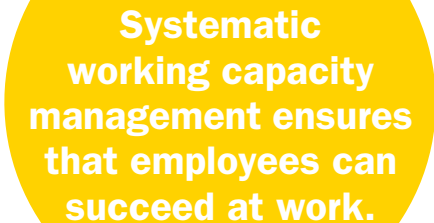
Managing risks related to disability helps the management of a company to lower costs resulting from sickness and strategically manage working capacity. Strategic management of working capacity ensures the personnel's capacity for working to achieve the company's objectives.

The guidelines and reporting regulations on the management of risks related to disability by employment pension insurers issued by the Financial Supervisory Authority guide our offering of well-being at work services in part. According to the guidelines, the costs of activities aiming to manage the risk of disability may only be covered with the disability risk management contribution included in the TyEL insurance contribution. The guidelines also require customers to contribute to the costs of working capacity projects with at least the same amount as the employment pension insurance company.

We ensure that our customers' working capacity programmes partly funded by us support extending careers, thereby decreasing the number of disability pensions.

Day-to-day working capacity management supports a stable future

Working capacity management is a preventive, goal-oriented and long-term activity that promotes employees' working capacity and management's ability to manage work. Working capacity is the result of working capacity management. Concrete results are seen in sickness absence and disability costs and the productivity of the company. Successful working capacity management ensures that employees can succeed at work and that the company can meet its targets.



Systematic working capacity management ensures that employees can succeed at work.

Our experts on services for workplace well-being are management's partners who help to manage personnel risks. We offer various customised tools, training and expert support for different sizes of companies in different phases of growth to assess their strengths and personnel risks. Thanks to our network, we reach our customers across Finland. Our local experts receive excellent feedback from our customers as well as partners.

During 2017, we again carried out several workplace well-being projects with our customers. It is important that companies target measures to identified working capacity risks, carry them out systematically and monitor their results. Therefore,

we have in particular developed our online service during the year, including working capacity tools for our customer companies in addition to pension and rehabilitation information. We have also developed a new work community indicator to meet our customers' needs.

Concrete tools for the day-to-day life of our customers

We develop our services to improve the customer experience and make the lives of our customers easier. We want to offer working capacity management services to as extensive a group of customers as possible in a cost-efficient manner.

During the year, we reformed our online service, which is an integral part of our overall service. It provides information and tools for day-to-day managerial work and development of well-being at work, such as performance review forms.

With the reform, our customers gain an overview of the current state of the company's working capacity management in a single glance. Companies can monitor the costs caused by disability pensions in more detail and better foresee them. The overview of the service can be customised at the company and user levels. As a whole, the service guides towards more strategic working capacity management and preventive work, which in turn provides predictability and cost savings.

Sharing knowledge and skills through training

During 2017, we organised a total of 28 well-being at work training sessions and seminars open to all our customers. Representatives of approximately 700 customer companies attended the events in 11 locations around Finland.

The content of the well-being at work trainings is built based on the needs of our customer companies. The trainings provide resources for challenging situations in managerial work, early support of the employee and mentoring leadership, among other things. Our customers considered the well-being at work trainings to be of a high quality and inspiring, and particularly valued the expert instructors and the tools the training provided for their own work. The attendees gave the trainings a score of 4.3 on a scale of 1–5, and 95 per cent would recommend them.

In September 2017, we organised a well-being seminar called "Hulluna hyvinvointiin" ("Crazy about well-being") for the third time. The theme of this year's event was the development of corporate culture. In the seminar, experts discussed subjects such as passion for work, leadership and the shaping of corporate culture.



WORKING CAPACITY MANAGEMENT MANUAL PROVIDES PRACTICAL SUPPORT FOR CUSTOMERS

During 2017, we prepared Elo's working capacity management manual, compiling information and advice for strategic working capacity management and templates for early support discussions between the employer and employee. We prepared the manual for our customers to provide them with easy-to-read material supporting HR work in practice. The guide will be developed further according to our customers' wishes. The guide is available for download for free on Elo's well-being at work website in Finnish, Swedish and English.

In 2018, we will strengthen our webinar offering by compacting extensive content into packages that are easy to digest. Moreover, we will launch a working capacity management training package in spring 2018, having built it together with our customers in autumn 2017.

As an employment pension insurer strongly recommended by the Federation of Finnish Enterprises, we care for the coping and well-being of self-employed persons. During 2017, we conducted five entrepreneur surveys targeted at local entrepreneur associations. In addition, self-employed persons have been able to review their personal well-being at work with a survey on Elo's website.

Research-based services through cooperation

We want to ensure that the effectiveness of projects and measures is strongly emphasised in our working capacity management services. That is why we signed a cooperation agreement with the Finnish Institute of Occupational Health in 2017.

The objective of the cooperation is to provide our customers with flexible opportunities to utilise the Finnish Institute of Occupational Health's services based on high-quality research on working life and development work to reduce the risk of disability. The cooperation makes it possible to better utilise Finnish research at workplaces.

As a result of the cooperation, we have developed trainings for our customer companies, targeting their HR functions. The first "Tuunaa työtäsi – johda itseäsi" ("Craft your work – manage yourself") mentor training commenced in autumn 2017, and it will continue in spring 2018.

Making children and young people feel appreciated and safe

We regrettably often receive disability pension applications with mental health issues in the background. At its worst, school bullying can lead to considerable mental health issues. We want every Finnish child and young person to feel appreciated and safe. A good start in school gives good opportunities for further studies and thereby a good career.

In 2017, many Finnish companies gave presents in celebration of Finland's centenary. At Elo, we decided to support the well-being of children and young people together with the startup company Mighty United. We provided one hundred Finnish classes with the anti-bullying Mightifier application free of charge for a year. The application is based on classmates' positive peer feedback to one another on their strengths. At the same time, the pupils get to know each other better and find new friends.

22 per cent of the pupils in the classes to which Elo donated the application had experienced bullying earlier.

When the question was asked again after the use of Mightifier, 10 per cent of the pupils reported that they had recently experienced bullying. At the end of the year, 96 per cent of the pupils reported that they had more than one friend in the class.

We are also taking part in S Group's extensive three-year "Nuori Mieli Työssä" ("Young Minds at Work") programme. In spring 2018, the Finnish Institute of Occupational Health will carry out a survey among the employees of S Group aged under 25 in cooperation with Elo and S Group. The aim is to obtain information about young employees' expectations and resources relating to working life and well-being at work in the retail sector. The results of the survey will make it possible to prepare tools for developing managerial work, well-being at work and the competence of personnel. The results of the survey will be reported at a seminar in August–September 2018.



Better work ability and daily support for our customers.

Financing that takes our customers' needs into account

In 2017, we continued the cooperation with our partners LocalTapiola and Fennia to offer financing services close to our customers around Finland. The principal alternatives are investment loans and premium loans. In addition, the financing portfolio includes mezzanine financing and equity investments.

We actively cooperated with other finance providers and private equity investors. We often offer financing together with other financing partners, including banks, accident insurance companies, Finnvera or Garantia. The most typical financing situations are investments, corporate acquisitions and restructuring of ownership or financing. The overall financing solution is always individually designed in cooperation with the customer.

Our financing alternatives also include a loan product devised for small and medium sized companies that is well worth considering. The loans are available to established and profitable companies with net sales of at least EUR 1 million and a positive cumulative result for the last three financial years. Our experts can help our customers to build a financing solution through our network, even when we are unable to offer financing ourselves.

Elo is an important real estate owner and lessor

Elo is one of Finland's largest real estate owners and lessors. We own a total of more than 7,000 rental flats and approximately 600,000 m² in office space.

We mostly invest in real estate with good public transport and bicycle and pedestrian traffic connections, in urban centres integrated closely with urban structure and in transport hubs.

Some 800 Finnish companies operate in Elo's premises. We can offer modern and modifiable alternatives for companies large and small. Our goal is to provide our customers with optimum conditions for operating in our premises. We offer various office spaces, space in shopping centres and other commercial space and logistics and warehouse space.

During 2017, a total of 270 new apartments were completed at three sites in Vantaa, Järvenpää and Tampere. In addition, there are approximately 200 rental flats under construction in growth centres with good traffic connections.

Elo is also an active real estate developer. Our development and modernisation projects focus on energy-efficient and sustainable solutions. We operate responsibly to minimise the environmental load of our real estate and to guarantee high customer satisfaction.

In good hands when retiring and during retirement

Elo is responsible for the pension security of 227,000 current pensioners and over 500,000 future pensioners. In 2017, the amount of pensions paid out totalled EUR 3,135 million.

Retiring means a major change in a person's life that does not only have effects on the pace of life, but also personal livelihood and thereby on our customers' families. Therefore, it is particularly important to our customers that we consider different options with them and that using Elo's services is as effortless and flawless as possible and that all of our customers are treated equally and fairly.

In 2017, we granted approximately 26,100 (23,600) pensions based on application, approximately 10.6 per cent more than the previous year. To secure the continuity of our customers' livelihood upon retirement, our objective is to keep the pension application process high-quality, fast and clear to the customer. Compared to the previous year, the number of applications increased.



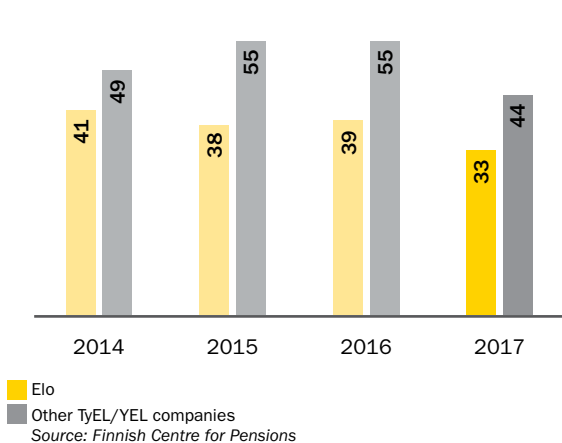
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Retirement is a substantial change in one's life. It's important to our customers that our services are effortless and fast.

In 2017, pension applicants received a decision in 11 (16) days on average, which is 25 (30) per cent faster than the overall average for other employment pension companies. As the largest insurer of self-employed persons, we issued decisions on their applications in 24 (18) days which is 33 (40) per cent faster than the average for other pension companies. In 2017, we made 10,767 (10,400) disability pension decisions by application.

The Pension Appeal Board changed only 11.8 per cent of Elo's disability pension decisions appealed by Elo's customers. During 2017, Elo rejected 32.3 per cent of new disability pension applications. In total, pension employment companies rejected 33.7 per cent of new disability pension applications.

PENSION APPLICATION PROCESSING TIMES
2014–2017, DAYS



Better and more flexible service

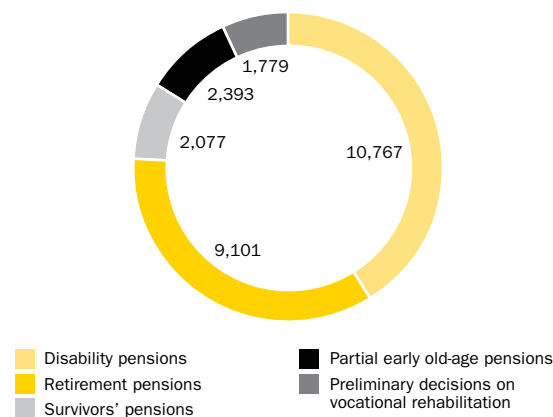
We want to offer expert and easy service to our customers across all our channels. That is why we are continuously developing our services for corporate and private customers. During 2017, we continued investments in multi-channel services and ease of their use. We adopted new electronic services for private customers, such as the reformed electronic pension record and electronic applications for rehabilitation, expense allowances and the extension of rehabilitation. Depending on the benefit, we receive 40–70 per cent of applications through electronic channels.

In pension services, we answer customers' calls within 9.6 seconds on average and our response rate is 99.6 per cent. Of the people responding to our pension service satisfaction survey, 86.2 per cent considered Elo very good. The competence, service attitude and availability of our personnel were lauded, in particular.

We developed our customer service through customer service training and by reorganising our telephone service model, among other measures.

“
Our customers receive their pensions decisions faster than overall average for other employment pension companies.”

NUMBER OF PENSION DECISIONS BY PENSION TYPE 2017





Supporting customers through changes

The pension reform that came into force at the beginning of 2017 was a major effort for us to guarantee smooth service to our customers. We actively communicated the new forms of pension and other changes brought about by the reform, such as the partial raise of retirement age as of the beginning of 2018, to our customers.

The partial early old-age pension that entered into force at the beginning of 2017 turned out

to be popular. To better understand how well our customers had been informed of the pension reform, we conducted a telephone survey among our customers who had retired on partial early old-age pension, investigating the reasons for selecting this form of pension. We also asked during the call whether the customer was aware of the diminishing effect of partial early old-age pension on their future old-age pension before applying for it. Of the respondents, 90 per cent had examined the effect of the partial early old-age pension on their final pension.

The effects of the pension reform will continue in 2018. In accordance with the pension reform, the first increase in the old-age retirement age took place at the beginning of the year, and we are actively ensuring that our customers receive the necessary information about the effect of the change on their own retirement age. At the beginning of the year, we also granted Elo's first career pension.



The year 2018 will bring about several changes, which we will consider in our day-to-day customer service and its continuous development. Therefore, we began preparations for the major upcoming changes, such as the income register, and telling our customers about it, and the EU's General Data Protection Regulation entering into force in May, already in 2017.

SERVICE FOR SIGN LANGUAGE CUSTOMERS

In autumn 2017, we launched a telephone service for sign language customers, using the Chabla app. The service connects the hearing-impaired, the hearing and sign language interpreters, which makes it possible for hearing-impaired customers to use Elo's telephone services. The service is intended for employers, self-employed persons, insured persons and Elo's pensioners for managing their employment pensions and employment pension insurance-related matters.

Rehabilitation prevents disability

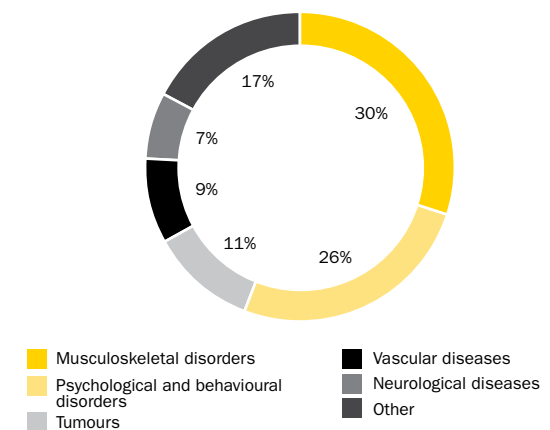
Impaired capacity for work does not need to result in disability pension. Employment pension rehabilitation is a new beginning and an opportunity to add more years to a career.

The goal of employment pension rehabilitation is to prevent disability by finding a suitable job for everyone where continuing to work is possible despite health restrictions. Vocational rehabilitation can be a work trial, job coaching or study support. In 2017, there were approximately 2,900 people in Elo's employment pension rehabilitation. Musculoskeletal disorders are the most common cause for employment pension rehabilitation. The most typical rehabilitation methods in 2017 were trial work and job coaching.

During 2017, 74 per cent of those in rehabilitation returned to the labour market. Success requires correct timing and an appropriate rehabilitation plan. On average, Elo processed preliminary decisions on vocational rehabilitation in 16 days.

In 2017, Elo issued 1,800 preliminary decisions on rehabilitation applications. The decisions are a promise that rehabilitation will be provided. We also issued some 980 preliminary decisions in conjunction with disability pension decisions when the requirements of rehabilitation were met. The number of these decisions was on a par with the previous year's level. When the means of vocational rehabilitation are not enough to improve capacity for work, partial or full disability pension may be the right solution. In 2017, we made 10,767 disability pension decisions by application. Disability is usually brought about by musculoskeletal or psychological disorders.

MEDICAL REASONS FOR NEW DISABILITY PENSIONS GRANTED





It is our important task to ensure that employers understand the importance of surveying disability risks and preventing them. Therefore, we make sure that employers are aware of the importance of regularly monitoring disability pension risks. We also support employers in preventing disability risks and provide them with ready-made practical service models for preventing disability.

We reformed our online service in a customer-oriented way

We comprehensively reformed Elo's online service in 2017. Through it, our customers can find pension employment insurance and pension-related matters and tools for working capacity management in a single place. The tools in the online service help our customers' human resources to foresee, prevent and manage risks related to incapacity to work and the resulting costs.

The service contains, among other things, up-to-date employment pension data, self-evaluation of working capacity management making it easier to plan the objectives and measures, cost monitoring and

forecasts, tools for planning work to prevent disability and indicators of the effectiveness of work.

The extensive online service frees up our customers' time for other duties. In addition, the work to prevent disability helps to manage sickness absence, which provides cost-savings and releases resources to work supporting business development.

The popularity of vocational rehabilitation has grown in recent years. Yet, self-employed persons are often unaware of the option. We at Elo want to take early action on self-employed persons' working capacity risks and offer them vocational rehabilitation to support their capacity. In addition to work trials, job coaching and education, self-employed persons are eligible for startup grant for self-employment.

In 2017, we continued to actively communicate about the possibilities of rehabilitation to our self-employed customers. The number of applications for vocational rehabilitation by self-employed persons increased by 16 per cent year-on-year.

**74 per cent
of those in
rehabilitation
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market.**



Improvements to work well-being translate into satisfaction and work ability.

Responsibility for personnel

Elo's HR work is guided by our personnel vision. We want to be an appreciated and developing work community where everyone can succeed.

To implement our personnel vision, we have selected four focus areas. We provide our customers with results and value through reforming competence. We motivate our employees through responsible and inspiring leadership. Employees committed to development and willing to change make us competitive. With flexible resourcing, we can allocate our resources timely and correctly for the benefit of our customers.

Reforming competence

At Elo, we do not believe competence is limited to a person's specific duties. We have divided competence into three areas: the core competences associated with the company's strategy, substance competence associated with individual duties and procedural competence.

Procedural competence emerges from the three cornerstones of Elo's corporate culture. "Elo's business is my business" describes taking responsibility, "Openness and trust" is about appreciation of each other and mutual trust, and "Customer and partner orientation" is about the importance of customers and supporting partners. When everyone at Elo adopts procedural competence as their guideline, the cornerstones of Elo's corporate culture fall into place.



During 2017, the focus areas of training included information system competence and the effects of digitalisation on our business, strengthening Elo's core competences and developing management and supervisory work. Digitalisation and robotics are already partly mundane, and diverse ecosystems will be part of the field of employment pension insurers already in the near future. Elo aims to foresee and prepare for the need for such competence well in advance.

During 2017, Elo launched the Talent programme aimed at providing our specialists with new challenges, networking and opportunities for developing Elo's business across unit boundaries. 15 Elo employees of different ages were selected for the two-year Talent programme from across the organisation.

Our own online course offering was increased and all Elo employees regardless of their tasks were encouraged to learn about the courses. All

Elo employees must complete courses on Elo's Code of Conduct, data security, safety, continuity management and reward system. In total, there were 2.8 days of training per Elo employee in 2017.

Each supervisor has a performance review with their employees at least once a year. All Elo employees are covered by the performance reviews. The reviews include assessing the employee's performance, surveying their competence needs and setting goals for them. HR services monitor the realisation of performance reviews and organises training according to the training needs observed as necessary. Employees are encouraged to be proactive with regard to training, and development proposals for training are welcome.

Elo has a process for inducting new employees. When the induction process is planned and organised well and both the employer and the employee are satisfied, the outcome is a motivated employee committed to their work.

The objective of the induction is to support the commitment of the new Elo employee and help to perceive their own role as part of Elo, as well as to give an overview of the cornerstones of Elo's culture, strategy and practices. During the induction, new Elo employees are provided with sufficient resources for working in their future duties, thereby making it faster to learn the tasks and new things. The induction also aims to improve the quality of work, occupational safety and adapting to the workplace. New employees are requested to provide feedback on their induction three and six months after joining Elo. The results of the survey are reviewed with the supervisors concerned. In the 2017 results, Elo's recruitment process was considered smooth, the reception excellent and the working community welcoming.

Of the respondents, 77 per cent had been designated an induction instructor and had an induction plan prepared for them and the plan had been reviewed and monitored. 77 per cent of

the respondents considered the sufficiency of the induction to have been excellent and 33 per cent very good. One half of the respondents rated the induction excellent, 38 per cent very good and 12 per cent good as a whole.

Zero tolerance for harassment and discrimination

Principles of an equal and non-discriminatory workplace are an integral part of our HR policy. Once every two years, Elo prepares an equality plan, and the aim is to commit all Elo employees to monitoring and implementing it. The plan was updated during 2017. Elo's executives and managers are responsible for the implementation of the equality plan, but it is prepared in cooperation with the employees.

The personnel survey conducted in October 2017 asked whether Elo actively promotes gender equality. On a scale of 1–5, the employees gave a score of 3.05. The score was the same in the 2015 survey. Another equality-related question in the survey found out whether everyone regardless of age or gender has the same opportunities for developing their professional competence. The score was 3.03, while in the 2015 survey it was 3.07. The objective is to develop both measured areas of equality with a long-term perspective.

Elo has both men and women at all organisational levels, all professional groups and teams. Equal

representation of genders is an asset to the organisation. We support equal career opportunities for men and women and consider equal career development opportunities in appointing deputies, distributing tasks and recruitment. Equality is included in the training of supervisors, and a positive attitude to equality is considered in all communications.

Elo has a zero-tolerance policy towards all harassment and discrimination. All Elo employees are required to behave in a normal, good and appropriate manner at the workplace. No bad treatment, bullying, discrimination or sexual harassment is accepted. If any harassment or discrimination on any grounds is observed, the matter is addressed as quickly as possible.

Elo has prepared a guideline on investigating cases of bullying, and it is available to all employees on the intranet. The guideline has also been reviewed with the supervisors and the occupational safety and health delegate. It is in the interest of all parties to address issues as soon as possible. No one should tolerate psychological abuse or bad treatment. The person accused of harassment also has the right to be heard and treated appropriately. The Occupational Safety and Health Act requires the employee to take action after becoming aware of harassment or other inappropriate treatment causing hazards or risks to an employee's health. The procedure of investigating bullying has been described from the points of view of the bullied person, their supervisor and the

occupational safety and health delegate.

Elo's cooperation forum monitors the implementation of the equality plan. HR services annually compiles a report on the implementation of the plan, and it is presented to the cooperation forum corresponding to the joint committee referred to in the Act on Co-operation within Undertakings and the cooperation agreement. Its key tasks include various personnel issues when they concern all or the majority of employees. The cooperation forum convened four times during 2017. In addition, HR management and employee representatives regularly meet approximately once a month to discuss topical matters.

Support for various situations in life

Elo aims to consider employees' diverse situations in life and family circumstances, such as having small children or taking care of ageing parents, and provide as flexible solutions as possible to coordinate work and family life through, e.g., flexible working hours, such as part-time parental leave, part-time work and remote working options.

Most Elo employees can work remotely if they choose to. Remote work has strongly become more common. In 2014, there was a total of 5,500 days of remote work. In 2017, this had almost doubled to over 10,000. Elo has emphasised the importance of work ergonomics to remote workers and organised information sessions on it, for example. Many units have also prepared their own rules for remote work.

In 2017, a total of 27 Elo employees were on part-time parental leave.

Elo supports its employees in family caregiving situations by providing opportunities for personal working hours pursuant to part-time percentages, taking part-time annual leave, unpaid leaves according to plan, remote work and reorganisation of duties. Elo has also had a family caregivers' support group and supervisors have been instructed in supporting their employees acting as family caregivers.

Our objective is for the retirement age to be at least the statutory old-age retirement age and possibly even higher. In 2017, the average retirement age was 63.5 years. Supervisors are trained to consider the different needs associated with different age periods and appreciate people as individuals. Finding out the needs and expectations of people of different ages is also part of the performance reviews, and the matter is also examined in the personnel survey.

Employees enjoy long careers at Elo. The average duration of employment is 13.4 years. The employee turnover rate was 4.21 per cent in 2017.

Results of the personnel survey are improving

We annually conduct a personnel survey at Elo. In 2017, 90 per cent of Elo employees responded to the personnel survey. The PeoplePower index for the survey as a whole was 69.8. This is exactly the same as the standard level among Finnish specialist

companies used as the benchmark in the survey. There has been slight development on the previous year; in 2016, the index was 69.1. In Elo's first survey in early 2014, the index was 61.6. We would have reached our objective, the AA category, had our result been 71.4.

Elo invests in well-being at work, and our employees have noticed that. Well-being at work is perceived as an extensive whole, and we invest in all its areas. Elo employees consider that the employer supports their professional development. Compared to the benchmark materials used in Elo's personnel survey, Elo employees do not find their work as stressful as those in many other Finnish specialist companies. The result of this question has developed in a positive direction in all surveys. According to the survey, the most room for improvement was found in matters related to remuneration and the corporate culture.

Working capacity for everyone

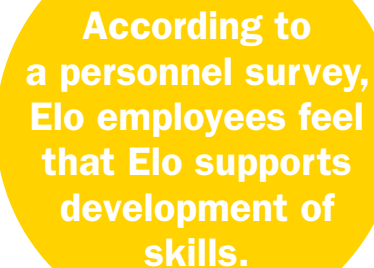
Elo aims to look after its employees' well-being at work and working capacity so that employees of different ages perceive their work as meaningful and retain their work motivation and working capacity at a high level throughout their careers to retire in a good condition.

At Elo, well-being at work and working capacity management are comprised of physical and psychological well-being, competence, work and working community. All these areas of well-being at work are developed and monitored in cooperation

involving the occupational safety and health committee, HR services, occupational healthcare services and other cooperation groups.

The development of well-being at work and occupational safety and health are particularly cooperation between the employer, personnel, supervisors and individual employees, and they are based on mutual interaction and joint success. Occupational safety and health covers everyone at our workplace. Avoiding unnecessary risks and taking care of one's own and others' occupational safety and working environment are everyone's responsibility.

The development of occupational safety and health and well-being at work is coordinated by Elo's occupational safety and health committee, which convened five times during 2017. In addition to representatives of employees and the employer, occupational healthcare specialists take part in the activities of the occupational safety and health committee.



According to a personnel survey, Elo employees feel that Elo supports development of skills.

In 2017, the focus was especially on preventing musculoskeletal disorders and skills relating to managing one's own work. Employees with musculoskeletal symptoms were referred to a physical therapist and, if necessary, to take a functional movement screen (FMS). The ergonomics of remote workers were supported through information sessions, among other measures. Body control exercises were organised for select groups.

Managing one's own work was supported through various stress management ways and organising mindfulness exercises for those with stress symptoms under the supervision of an occupational health psychologist.

An estimate of working capacity and health plan was prepared for all employees with reduced working capacity. Elo annually has approximately 10–15 employees with reduced working capacity.

Four unit-specific workplace surveys were conducted in 2017 as planned. The employees of the units underwent health check-ups in connection with the workplace survey.

All employees included in a single reward system

The aim of rewarding is to facilitate achievement of Elo's strategic goals. This is best achieved when personnel feel that rewarding is encouraging and equitable.

During 2017, all employees were moved to a single common reward system, and we adopted the Hay job evaluation system for the entire personnel. The transition to a single common reward system required a local agreement, negotiated between "Toimihenkilöt Eloisa ry" and the employer in autumn 2016. The agreement was historic in the insurance sector as no other insurance company has had a single personnel reward system.

Elo does not accept pay differentials due to age, gender or other discriminatory grounds. Remuneration is based on how demanding the task is, the employee's qualifications and performance at work at all organisational levels.

The average pay of women in clerical and specialist positions at Elo was 82.9 per cent of the average pay of men in 2017. In Elo's management, the average pay of women was 104.3 per cent of the average pay of men.

Investing in youth brings results

Long and intact work careers are of benefit to individuals and society. Providing employment to young people is one way of lengthening Finns' careers from their start. We want to bear responsibility for the society having jobs, will to work and capacity for work. For the third time, we participated in a campaign for responsible summer jobs and employed 30 summer employees, similarly to the previous year. We want to offer our summer employees a positive work experience while benefiting from their insights and ideas in developing our operations.

We collaborate with several schools and offer their students a contact with the business world and opportunities for diploma work and traineeships. These small actions give young people a positive image of working life and we want to promote this feeling.

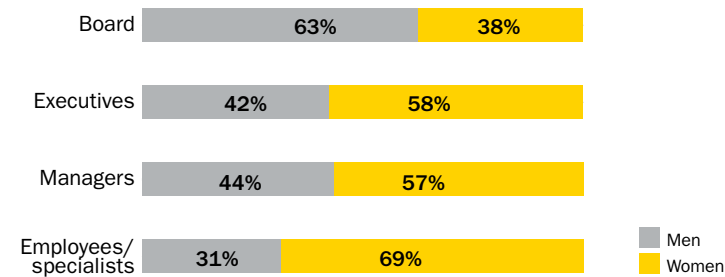
In 2017, we took part in Universum's employer image study as the first pension insurer in the history of the survey. Based on the survey, one could say that we have become one of the most attractive employers in the financial sector. 71 per cent of economics students (N = 4,316) answered that they recognised Elo as an employer, and we ranked second in two areas measuring the characteristics of work: flexible working conditions and employer's commitment to diversity and engagement.

Responsibility for personnel in numbers

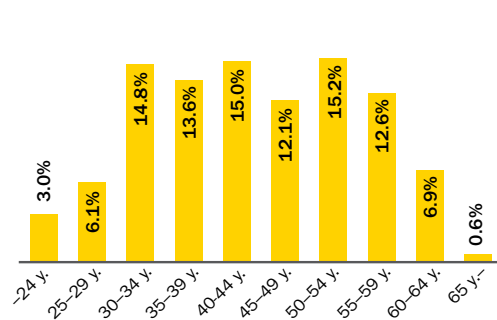
PERSONNEL INDICATORS

Average work contribution	462.3
Share of women, %	67.0
Share of men, %	33.0
Full-time employees, of permanent employees, %	91
Part-time employees, of permanent employees, %	9
Fixed-term employees, %	10.9
Employee turnover, of permanent employees, %	4.88
Number of sickness absences, day/person	6.3
Average retirement age	63.5

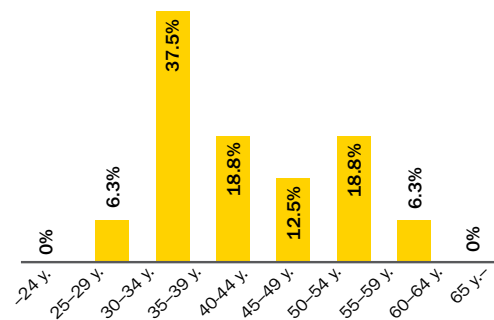
GENDER BALANCE BY POSITION



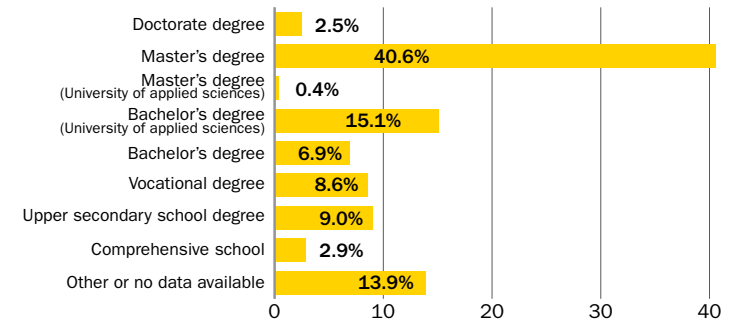
AGE DISTRIBUTION OF ENTIRE PERSONNEL



2017 AGE DISTRIBUTION OF RECRUITED PEOPLE (PERMANENT)



EDUCATION DISTRIBUTION



Corporate governance and responsible operating principles

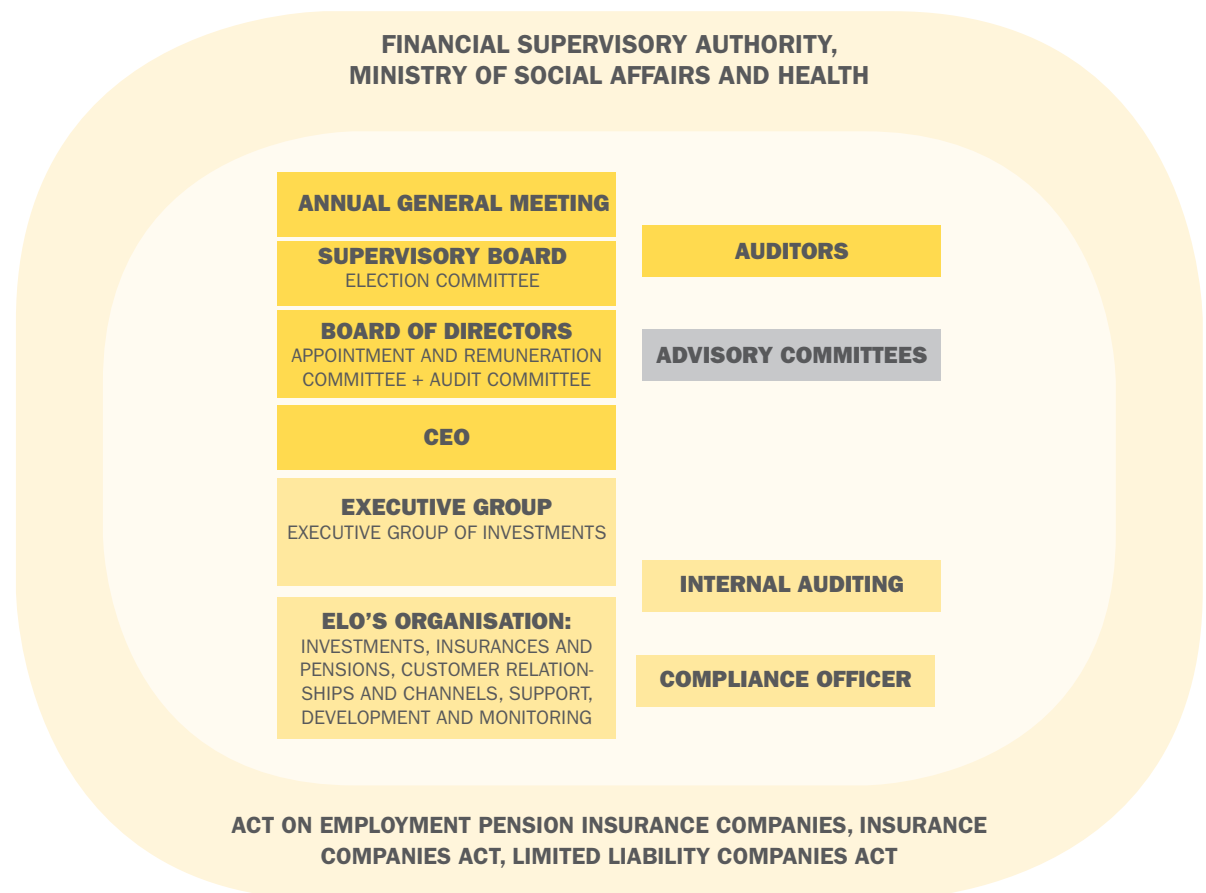
Elo's corporate governance system is based on legislation. Elo's corporate governance guidelines are based on the recommendations of the Finnish Corporate Governance Code for listed companies 2015, which Elo observes where applicable to employment pension companies. Elo's corporate governance system and associated guidelines are approved by its Board of Directors.

Elo's Corporate Governance Statement is published on Elo's website.

The adjoining diagram illustrates Elo's governance, the authorities that oversee our operations and the laws and regulations that apply to them.

Compliance promotes a responsible culture

Compliance refers to adhering to laws, decrees, regulations issued by the authorities, sector practices, good insurance practice, the company's internal guidelines and principles and the Code of Conduct. Compliance activities help Elo to fulfil its obligations and promote and ensure that compliance is taken into consideration in all operations. Compliance contributes to promoting a responsible corporate culture.



Compliance activities are part of Elo's internal control. Its starting point is to comply with the regulations issued by the authorities and general best practices of internal control. It is also part of Elo's risk management, where its purpose is to support business operations especially in identifying and managing legal and compliance risks as well as to oversee and report on them to the Audit Committee and senior management.

Elo has a Compliance Officer responsible for managing Elo's compliance organisation. In addition to the Compliance Officer, Elo's compliance organisation comprises fifteen people from different units responsible for compliance in addition to their regular duties. In addition to this, compliance applies to everyone working at Elo, not only the personnel responsible for compliance activities. Compliance activities begin from the senior management, i.e. the CEO and the Board of Directors, who are responsible for the lawfulness of the company's operations.

Elo has a ratified process for processing identified compliance risks based on their degree of severity. The Compliance Officer has primary responsibility for reviewing all risks, reporting on the situations to the Board of Directors and CEO. With regard to critical risks, the reporting takes place immediately. Elo has a compliance board with three members in addition to the CEO. The board is tasked with handling severe compliance situations and making decisions on them. There were no critical compliance risks in 2017.

In addition to overseeing compliance with regulations, Elo's Compliance Officer is responsible

for insider and related party management at Elo, among other duties.

Elo opened a whistleblower channel in 2017, aimed at allowing the reporting of concerns and suspected abuse also anonymously. The reports submitted are processed by the Compliance Officer, who submits the matter to the compliance board to decide on, if necessary. Elo has also ratified rules to protect whistleblowers from the consequences of submitting a report. The employees were told about the channel in training sessions covering the entire company. In 2017, no whistleblowing reports were submitted.

Elo's Code of Conduct

Elo's Code of Conduct specifies how Elo acts in different situations. It is based on the cornerstones and operating models of Elo's corporate culture, describing the type of activities to which Elo and its employees commit, and how we act on a daily basis. The objective is for the Code of Conduct to be a concise compilation of all the internal and external regulations applicable to our operations. The more detailed rules are provided in Elo's own guidelines on different matters.

The Code of Conduct addresses, among other things, good corporate governance, data protection, corruption, working life and human rights. In addition, as part of the Code of Conduct, each Elo employee has an obligation to comply with the Code of Conduct and report any suspected breaches of the operating procedures. Elo also has an online course on the Code of Conduct to be taken by every Elo employee.

Insider guidelines

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. The insider regulations are applicable to Elo's investment activities and any securities transactions being executed by personnel belonging to the company's sphere of insiders. Individuals are included among the permanent insiders due to their position or responsibilities. The insider regulations are also applicable to temporary insiders, who may receive project-specific insider information.

A permanent insider is obligated to request permission as regards trading in securities and to submit a declaration of holdings that specifies the number of purchased or sold securities and/or money-market instruments. Short trading is prohibited for all permanent insiders employed by Elo.

The Act on Pension Insurance Companies gives anyone the right to receive extracts and copies of information in the register against compensation for expenses. Public information about Elo's insiders is available, free of charge, from Euroclear's NetSire service. However, the personal identification number and address of natural persons, as well as the names of natural persons other than insiders are not public. (TVYL Section 12 i, subsection 3) Elo's insider register is maintained by the Compliance Officer.

Anti-corruption guidelines

Elo has prepared new anti-bribery and anti-corruption principles during 2017, and they will enter into force

in early 2018. All of Elo's business operations and related corruption risks will be assessed during spring 2018 based on the new guidelines.

Training on the new anti-bribery and anti-corruption principles will be provided to all Elo employees during 2018. No cases of bribery were identified at Elo during 2017.

Data protection

At Elo, we are responsible for the pensions of approximately 700,000 insured persons. We process a large volume of personal data and assets required to take care of pension liabilities. For us, data protection means protecting the privacy of our private and corporate customers as well as our employees, i.e. keeping the information confidential and processing it carefully. As an employment pension insurer, the key regulations governing processing are derived from employment pension legislation.

With technology, digitalisation and new service models evolving at an accelerating rate, effective and safe management of personal data is particularly important to Elo as an employment pension insurer. Our key tasks require extensive processing of personal data, some of which may be sensitive.

Preparing for the EU's General Data Protection Regulation

The EU's General Data Protection Regulation will enter into force in May 2018. The EU's General Data Protection Regulation is about an overall reform of data protection regulations throughout Europe, replacing the Data Protection Directive underlying the current Personal Data Act with the General Data

Protection Regulation. The Regulation will enter into force as such in all Member States, and its entry into effect does not require national implementation. However, the Regulation does leave some room for national movement and requires several legislative amendments. It is a major reform, as all acts with provisions on the processing of personal data will be revised. Amendments will be made to the Act on the Openness of Government Activities, Personal Data Act and employment pension legislation, among others.

One of the key objectives of the General Data Protection Regulation is to provide individuals with more extensive rights of managing their own personal data. In addition, it aims to ensure common rules throughout Europe, also in situations where services are provided within the EU by companies located outside Europe.

The preparations for the application of the General Data Protection Regulation proceeded well at Elo during 2017. During the spring, we made an impact analysis concerning the Regulation, and based on its action proposals, it was decided to launch a project for coordinating the key guidelines and preparatory work. As part of the preparations, Elo appointed a Data Protection Officer and personnel were trained on the matter.

The importance of data protection is increasing and extends considerably further than just a single regulatory reform project, albeit an extensive one. With increasing digitalisation, data protection will become an increasingly important part of companies' operations, and efficient utilisation of personal data requires their effective protection and considering the rights of the data subjects in day-to-day work.

Data security is an integral part of operations

Acting responsibly is the most important principle of Elo's data security. The objective of data security is to safeguard the reliability, usability and availability of the data processed by Elo and to prevent confidential information from falling into wrong hands.

Good management of data security requires continuous monitoring of activities, long-term planning and resourcing, preparation for diverse threats, compliance with the agreed procedures, guidelines, training and communication. Data security is an integral part of the quality of Elo's operations and services, overall security and every Elo employees' daily processing of data.

The principles of our data security work are recorded in the data security manual. Data security work is coordinated by the Data Security Manager working in IT administration. We see to the high level of data security through continuous training and data security audits of different systems. Data security is included in the induction of every new Elo employee, and the online course on data security is mandatory for all Elo employees. In addition, we provide training customised based on duties to the different functions.

We closely cooperate with our various IT service providers and data security partners. Elo also cooperates with various authorities as a company critical to emergency supply. In 2017, we invested particularly in the commissioning of a data security control room.

Board of Directors



Chairman

EEVA-LIISA INKEROINEN

Born 1963, LL.M.

Vice Managing Director, The Federation of Finnish Technology Industries

Member of the Council of the Central Archives for Finnish Business Records; Member of the Representatives of the Finnish Centre for Pensions; Member Board of the Unemployment Insurance Fund; Member of the Board of Työsuohdejuristit Oy

First Deputy Chairman

ANN SELIN

Born 1960, eMBA

Chairwoman, Service Union United PAM

Member of the Board of Kojamo plc; Chairman of the Delegate Council and Member of the Steering Committee of the Central Organisation of Finnish Trade Unions SAK; Member of the Supervisory Board of

the Unemployment Insurance Fund; Member of the Supervisory Board of The Education Fund; Chairman of the Board and Work Committee of UNI Global Union

Second Deputy Chairman

ANTTI AHO

Born 1969, M.Sc. (Econ.)

Managing Director, Aava Terveyspalvelut Oy

Chairman of the Board of Lääkärikeskus Aava Oy; Chairman of the Board of United Laboratories Ltd; Deputy Chairman of the Board of Kiinteistö Oy Luna; Member of the Board of Kliinisen Kemian Tutkimussäätiö; Member of the Board of Lääkäripalveluyritykset; Member of the Board of Aho Group Oy; Vice Chairman of the Board of Pikkujätti Medical Centre for Children and Youth; Member of the Board of Docrates Syöpäsairaala Oy

JARI KARLSON

Born 1961, M.Sc. (Econ.)

Chief Financial Officer, Orion Corporation

Member of the Board of Polttimo Ltd; Member of the Board of the Finnish Foundation of Veterinary Research

ANTTI KULJUKKA

Born 1961, M.Soc.Sc., eMBA

CEO, Fennia Group

Member of the Board of Fennia Life Insurance Company Ltd; Chairman of the Board of Fennia Asset Management Ltd.; Member of the Board of the Federation of Finnish Financial Services; Member of the Council of the Helsinki Region Chamber of Commerce; Member of the Council of HelsinkiMissio; Member of the Board of Jääkärisäätiö; Deputy Chairman of the Council of Suunnistussäätiö; Member of the Board of Suomen Luisteluliitto

JANNE MAKKULA

Born 1977, LL.M., trained on the bench

Director, Federation of Finnish Enterprises

Member of the Board of the Finnish Centre for Pensions

OUTI LÄHTEENMÄKI-LINDMAN until 22 November 2017

JORMA MALINEN

Born 1959, Automation Designer President, Trade Union Pro

Member of the Board of Trade Union Pro; Deputy Chairman of the Board and member of work committee of the Finnish Confederation of Professionals STTK; Chairman of the Supervisory Board of Turva Mutual Insurance Company; Member of the Supervisory Board of the Unemployment Insurance Fund; Chairman of the Board of Levin

Matkailukeskus Oy; Member of the Board of Majvik Oy; Chairman of the Board of STTK-Lomat Oy; Member of the Board of Kustavin Matkailu Oy; Member of the Board and Audit Committee of Kojamo plc; Vice Chairman of the Board of Industrial Employees TP

MARJO MATIKAINEN-KALLSTRÖM

Born 1965, M.Sc. (Eng.), eMBA

Chairman, Academic Engineers and Architects in Finland TEK

Managing Director and Chairman of the Board of Havu&Per Oy; Member of the Board of Neo Industrial Plc; Vice Chairman of the Council of Karjalan Liitto ry; Member of the Board of Karjalan säätiö; Member of the Board of Karjalanlehti; Member of the Board of Technology Academy Finland TAF; Member of Teknisten Tieteiden Akatemia TTY, Member of the Board of WAU ry; Chairman of the Board of International Cross Country Ski School of Finland; Member of the Board of Hiittourheilun kannatussäätiö



ERKKI MOISANDER

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

Deputy Chairman of the Board of the Federation of Finnish Financial Services;
Member of the Advisory Board for Cooperative Business;
Member of the Council of the Helsinki Region Chamber of Commerce;
Member of the Board of Eurapco; Vice Chairman of the Supervisory board of Turva Mutual Insurance Company

OLAVI NIEMINEN

Born 1952, optician
Chairman of the Board, Piilokset by Finnsusp Oy

Deputy Chairman of the Board of Ocuspecto Oy;
Member of the Advisory Board of the Southwest Finland Centre for Economic Development, Transport and the Environment;
Chairman of the advisory board of Turku Apprenticeship Office

SUSA NIKULA

Born 1970, M.Ed.
Executive Vice President, HR, SOK Corporation
Member of the Board of Kiipula Säätiö; Chairman of the Board of Jollas Säätiö; Chairman of the Board of Jollas Opisto Oy

NIKLAS SONKIN

Born 1967, M.Sc. (Eng.)
COO and Deputy CEO, Accountor Holding Oy

Deputy members

JOUKO LIIMATAINEN

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

Member of the Board of Scandic Hotels Oy; Chairman of the Board of Restel Hotellit Oy; Deputy Member of the Board of the Finnish Hospitality Association MaRa

SINIKKA NÄÄTSAARI

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

Member of the Board of the Finnish Centre for Pensions; Member of the Board of Finnish Workers' Compensation Centre

PENNA URRILA

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

Member of the Board of the Unemployment Insurance Fund;
Ombudsman of Tehokkaan Tuotannon Tutkimussäätiö;
Member of the Advisory Board of Statistics Finland; Chairman of the Board of Touko Voutilaisen koulusäätiö;
Chairman of the Board of Eteläsuomalaisten ylioppilaiden säätiö

DANIELA YRJÖ-KOSKINEN

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

Member of the Board of Novita Oy;
Member of the Board of TMA Tekstiili ja Muotialat ry; Member of the Board of Suomen Tekstiili & Muoti ry;
Member of the SME Committee of the Confederation of Finnish Industries EK; Member of the Family Business Council of the Finnish Family Firms Association

Supervisory Board

CHAIRMAN:

Klaus Saarikallio, born 1955

Chairman of the Board, Normek Oy

First Deputy Chairman

Håkan Nystrand, born 1955

Chairman, METO Forestry Experts' Association

Second Deputy Chairman

Ilkka Brotherus, born 1951

Managing Director, Sinituote Oy

MEMBERS:

Vesa Aallosvirta, born 1961

Organisational Manager, The Finnish Industrial Union

Antti Hakala, born 1967

Director, Trade Union Pro

Maria Hanho, born 1982

Managing Director, Vaissi Oy

Johanna Heikkilä, born 1962

HR Director, Apetit Oyj

Maija Hjelt, born 1970

Senior Vice President, Finance, Veikkaus Oy

Sauli Huikuri, born 1958

CEO, Joutsen Media Oy

Tero Jussila, born 1958

CFO, Maintpartner Group Oy

Esko Jääskeläinen, born 1956

Managing Director, Suur-Seutu Cooperative Society SSO

Pekka Kampman, born 1962

Project Manager, Y-Foundation

Olavi Kaukonen, born 1956

Managing Director, A-Clinic Foundation

Jaakko Kiiski, born 1956

Executive Director, YTY – Association for Managers and Professional

Kalle Kujanpää, born 1969

CFO, Finn-Power Corporation

Veli-Matti Kunttonen, born 1965

Chairman, Finnish Foodworkers' Union SEL

Heikki Kyntäjä, born 1952

CFO, Atria Group

Ville Laine, born 1970

Managing Director, Lojer Oy

Timo Lehtinen, born 1964 resigned 6 February 2017

CFO, YIT Corporation

Timo Lepistö, born 1959 resigned 19 April 2017

CEO, Nordic Morning Plc

Mikko Leppälä, born 1963

Pekka Metsi, born 1961

CEO, Granlund Oy

Harri Miettinen, born 1962

Managing Director, Kymen Seudun Osuuskauppa

Timo Mäki-Ullakko, born 1963

CEO, Pirkanmaa Cooperative Society

Heikki Nikku, born 1956 resigned 22 March 2017

President, CGI Nordic

Mikael Pentikäinen, born 1964

Managing Director, Federation of Finnish Enterprises

Terhi Penttilä, born 1972

Managing Director, Länsilinjat Oy

Heikki Pesu, born 1967

CEO, Are Oy

Marko Piirainen, born 1975

Chairman, Transport Workers' Union AKT

Katariina Poskiparta, born 1961

Managing Director, Finnish Student Health Service

Kyösti Pöyry, born 1952

Managing Director, Paperinkeräys Oy

Merja Rinne, born 1963

Head of Union Affairs, Industrial Union TEAM

Ansu Saarela, born 1978

CFO, Bauhaus & Co Ky

Hannu Saarikangas, born 1952

Director, Union of Professional Engineers in Finland

Antti Sahi, born 1956

Secretary General, Central Union of Agricultural Producers and Forest Owners MTK

Paula Salastie, born 1978

CEO, Teknos Group Oy

Kimmo Simberg, born 1959

CEO, Etelä-Pohjanmaa Cooperative Society

Jukka Tikka, born 1953

Chairman of the Board, Länsi-Savo Oy

Mika Varjonen, born 1974

Executive Director, Tradenomiliitto TRAL

Jouko Vehmas, born 1956 resigned 7 February 2017

Commercial Counsellor, Kymen Seutu Cooperative Society

Pentti Virtanen, born 1964

Managing Director, FSP Finnish Steel Painting Oy

Tapio Volanen, born 1961

Managing Director, CGI Suomi Oy

Olli Vormisto, born 1967

Managing Director, Osuuskauppa Hämeenmaa

Janne Ylinen, born 1975

Managing Director, Kokkolan Halpa-Halli Oy

Jaana Ylitalo, born 1969

Collective Bargaining Director, Service Union United PAM

Satu Yrjänä, born 1967

CEO, Kantar TNS Oy

Until 24 April 2017: **Markku Holm**

Executive Group



SATU HUBER

CEO
born 1958, M.Sc. (Econ.)

Member of the Board of YIT Corporation; Member of the Board and Audit Committee of Ahlsell AB; Member of the Board of The Finnish Pension Alliance TELA; Member of the Board of Finance Finland; Member of the Councils of the Helsinki Region Chamber of Commerce and the Finland Chamber of Commerce; Member of the Boards of the Finnish Business and Policy Forum EVA and the Research Institute of the Finnish Economy ETLA; Member of the Supervisory Board of the Finnish Cultural Foundation; Member of the Trilateral Commission; member of the Strategic Committee of Agence France Tresor; Member of the Advisory Board of the Hanken Centre for Corporate Governance; Member of the Board of the Finnish Centre for Pensions

MIKA AHONEN

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

Member of the Representatives of the Finnish Centre for Pensions

MATTI CARPÉN

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

Member of the Board of Tieto Esy Ltd; Member of the Board of Arek Oy; Member of the Board of LTC-Otso Oy; Deputy Member of the Representatives of the Finnish Centre for Pensions

HANNA HIIDENPALO

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

Member of the Board of Lindström Invest Oy; Deputy Chairman of the Board and Chairman of the Financial

Committee of the Finnish Cultural Foundation; Member of the Board of the Church Pension Fund; Member of the Board of The Finnish Medical Foundation; Member of the Financial Committee of Aalto University Student Union; Member of the Investment Committee of Aalto University Foundation; Member of the Investment Committee of the Diabetes Research Foundation

MIKKO KARPOJA

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

ERJA KETKO

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

Member of the insurance pool of the National Emergency Supply Agency

SARIANNE KIRVESMÄKI

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

KEIJO KOUVONEN, until 31 August 2017

HILKKA MALINEN

Director, Human Resources
born 1963, M.A. (Ed.)

Chairman of the Financial Services Work and Competence Committee and Member of the Labour Market Committee of the Federation of Finnish Financial Services; Member of the Training, Education and Labour Affairs Committee of the Helsinki Region Chamber of Commerce; Member of the Supervisory Board of Turva Mutual Insurance Company

JONNA RYHÄNEN, since 1 September 2017

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

Member of the Board of Suomen Aivosäätiö; Member of the Board of Sydänsäätiö; Specialist member of the economic working group of Kansanvalistusseura

JOUNI SEPPÄNEN, since 1 September 2017

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

TIMO STENIUS, since 1 September 2017

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

Member of the Board of Sato Corporation; Chairman of the Board of KTI Oy; Chairman of the Board of Tyvene Oy; Vice Chairman of the Board of Amplus Holding Oy; Vice Chairman of the Board of Probus Holding Oy

Medical insurance specialists

MAARIT GOCKEL, Medical Director

M.D., Ph.D., Specialist in Psychiatry, special competence in pain management, rehabilitation and insurance medicine

JYRKI VARJONEN, Senior Physician

Lic.Med., Specialist in Psychiatry, special competence in insurance medicine

LOTTA AUTIO, Medical insurance specialist

Lic.Med., Specialist in Occupational Health

HANNELE HEILÄ, Medical insurance specialist

M.D., Ph.D., Specialist in Psychiatry, special competence in psychotherapy and insurance medicine, Psychotherapist (upper special level training)

TIMO HONKANEN, Medical insurance specialist

Lic.Med., Specialist in Internal Medicine, special competence in insurance medicine

KIMMO KUOPPASALMI, Medical insurance specialist

M.D., Ph.D., Specialist in Psychiatry, Docent, Specialist in sports medicine, competence to serve as a Professor of Psychiatry

KARI-PEKKA MARTIMO, Medical insurance specialist

M.D., Ph.D., Specialist in Occupational Health and Occupational Medicine

MIKKO NYKÄNEN, Medical Insurance specialist

Lic.Med., Specialist in Occupational Health, special competence in insurance medicine

RAUNI PIETILÄ, Medical insurance specialist

Lic.Med., Specialist in Occupational Health, special competence in insurance medicine

TAPIO ROPPONEN, Medical insurance specialist

Lic.Med., M.Soc.Sc., special competence in insurance medicine

JUHANI RÄMÖ, Medical insurance specialist

M.D., Ph.D., Docent in Surgery, Specialist in surgery and thoracic and vascular surgery, special competence in insurance medicine

TUULA RÖNKKÖ-KUIVALAINEN, Medical insurance specialist

Lic.Med., Specialist in Psychiatry, Psychotherapist (advanced special level training), psychotherapy instructor and special competence in psychotherapy

HANNU VANHANEN, Medical insurance specialist

M.D., Ph.D., Docent in Internal Medicine, special competence in insurance medicine

Elo's responsibility indicators 2017

The Global Reporting Initiative's reporting framework have been applied to Elo's annual and responsibility report, where applicable. The responsibility indicators used consist mainly of indicators in accordance with GRI Standards as well as of Elo's own indicators. GRI G4 Financial Services Sector Disclosures indicators have in part been used in responsible investing. If one exists, an indicative GRI code has been reported on the monitored theme.

Monitored aspect/indicator		Page number in the annual and responsibility report	GRI code
ELO'S OWN OPERATIONS			
Economic Performance	Solvency	22	
	Tax footprint	12	201-1
	Overall return/year	13, 14	
	Development of investment assets: average real return over 10 years	13	
	Expense loading ratio	27	
	Customer bonuses	27	
CORPORATE GOVERNANCE AND RESPONSIBLE OPERATING PRINCIPLES			
Compliance	The role of the Board of Directors in sustainability reporting	11	102-32
	Process of reviewing critical compliance risks	44	102-33
	Total number of critical realised compliance risks and their management	44	102-34
Anti-corruption	Businesses whose corruption-related risks have been assessed	45	205-1, partly
	Trainings relating to anti-corruption and anti-bribery procedures, total number and share of employees who have received anti-corruption training	45	205-2, partly
	Confirmed incidents of bribery and related measures	45	205-3, partly
Human rights	Human rights-related training	11	412-2, partly
Data protection	Training on data protection and privacy	45	

Monitored aspect/indicator		Page number in the annual and responsibility report	GRI code
RESPONSIBILITY FOR PERSONNEL			
Employees	Information about personnel and employees	42	102-8, 405-1 b)
	Number of new recruited employees, average duration of employment and average age of employees	40, 42	401-1
Diversity	Diversity of governance bodies	42	405-1 a)
	Ratio of the basic salary and remuneration of women to men	41	405-2
	Incidents of discrimination and corrective measures	38	406-1
Competence development	Average hours of training per year per employee	38	404-1
	Programmes relating to competence development and change support	38	404-2
	Share of employees covered by regular performance assessments and development discussions	38	404-3
Occupational health and safety	Presentation of employees in formal joint management-worker health and safety committees	41	403-1
	Sickness absences	42	403-2
RESPONSIBLE INVESTMENTS			
Own operations	Taxation of investments	12	
Follow-up of standards	Screening of non-compliance with standards, % of investments	17	FS11
Responsibility of investments	Fund managers' climate strategies – how many of the external fund managers take climate change into consideration in their investments	20	
	Share of investments with a positive impact on the environment and society	21	FS7, FS8
	Scope of ESG assessments	17	FS11
	Carbon footprint of investments (Scope 1 & 2)	20	305-1, 305-2, partly
	Carbon intensity (CO ₂ e/USD/EUR million)	20	305-4, partly
	Energy and water consumption and CO ₂ emissions of real estate investments	23, 24	302-2 partly
Active ownership	Attendance at general meetings (%)	16	FS10
	ESG influence on companies	17	FS10
	Voting at the general meetings of investments	16	

Monitored aspect/indicator		Page number in the annual and responsibility report	GRI code
RESPONSIBILITY FOR CUSTOMERS			
Responsible products and services	Pension decisions/processing times	33	
	Processing time in preliminary decisions on vocational rehabilitation	35	
	Effectiveness of rehabilitation, % of people available to the labour market at the end of rehabilitation	36	
	Telephone service waiting time	26, 33	
	Processing time of insurance applications	26	
	Share of online services	25, 26	
	Applications processed by the Pension Appeal Board which remained unchanged, i.e. pursuant to Elo's decision	33	
Customer satisfaction	Customer satisfaction surveys (NPS)	34, 26	102-44 partly



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