



**2017**

**Report of the Board of Directors and  
Financial Statements**

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

# The Board of Director's report

## **Economic operating environment**

In 2017, Finland saw better-than-expected economic growth at an estimated 3.1 per cent. Strong global growth boosted exports to a good increase of over 15 per cent, which helped the entire economy. This, with its cascade effects, significantly contributed to the growth of the economy as a whole. Underlying the strong exports were the slight increase in the relative competitiveness of our industry, achieved through moderate economic and employment policy, but especially the strong drive in the global economy.

Private consumption strengthened, supported by the improved employment situation, by more than 2 per cent last year. Residential construction was active during the year, and production investments also grew by approximately 7 per cent. It was particularly significant that the employment rate in Finland has risen to over 70 per cent. The Government's aim of an employment rate of 72 per cent during this government term now seems realistic, even though from the long-term perspective of the economy it, too, is only an interim objective.

Global economic growth was approximately 3.6 per cent in 2017, which was clearly higher than the expectations prevailing at the beginning of the year. Economic growth was strong in all main economic areas. Economic growth in the US was as expected, almost 2.5 per cent. The most positive growth surprises

came in the euro area (2.3 per cent) and Japan (1.7 per cent). Underlying global growth was, in particular, the strong drive in emerging economies achieved through stimulus measures in China, which picked up international trade and increased prices in the commodity markets. Inflation simultaneously remained very moderate globally, and central banks were able to maintain a very stimulating monetary policy. These measures promoted the picking up of indebted economies recovering from the financial crisis. The stimulus measures of central banks also significantly supported the development of investment markets.

In spite of the growth spurt in the global economy, the mid-term global economic outlook remains a concern. Indebtedness has continued to increase globally, and pressure on the labour market will continue with globalisation and technological structural change. This has caused problems related to income distribution and social problems, which has been visible as unpredicted election results in many countries, for example. Demographic trends are beginning to be challenging over the long term, and with the poor development of productivity, potential economic growth seems to have weakened in the longer term.

## **Development of the employment pension system**

The pension reform that entered into force at the beginning of 2017 has now been

around for a year. Among other things, the reform will gradually raise the retirement age as of 2019. In addition, it introduced two new types of pension: the partial early old-age pension and the career pension. The partial early old-age pension has turned out to be popular: Elo made a total of more than 2,300 partial early old-age pension decisions in 2017. Retirement on a career pension is only possible as of 2018. The reform encourages people to remain in employment for longer, but it also incorporates arrangements that allow reduced working through the partial early old-age pension, and, in cases of strenuous work, allows individuals to retire early through the new career pension. The part-time pension was discontinued.

Competition over customers was also begun during 2017 in a new way when the distribution of bonuses to customers was partially released to be company-specific. The aim of the reform is to provide more differences between employment pension insurers. The reform will be actually visible in customers' contributions after a transition period in 2019, but policyholders have been extensively informed of the change.

The national income register will be adopted on 1 January 2019. Preparations were made during 2017 for the adoption of the income register and they will continue in 2018. The income register is an electronic database of income information and, following its adoption, payroll data will be reported in real time to the income register.

The project will advance and extend into reporting benefit and pension data in 2020. It will result in several changes for the employment pension sector. In particular, the reporting of customers' payroll data to the employment pension insurer will change. Elo will inform its customers of the reform during 2018.

## **Result and solvency**

The legislation on the calculation of solvency by employment pension institutions was amended as of the beginning of 2017. At the same time, the presentation of the key solvency figures also changed. The new presentation of solvency shows how much assets exceed the technical provision, so it did away with separate margin rules. The amount of solvency capital grew during the year by EUR 544.6 million, reaching a total of EUR 4,815.5 million (EUR 4,270.9 million) by the end of the year. The ratio of pension assets to technical provisions, i.e. the solvency ratio, was 125.9 per cent (124.3 per cent) at the end of 2017. The solvency capital was 1.6 (1.8) times the solvency limit at the end of the year. The minimum solvency capital was EUR 1,013.4 million (EUR 789.2 million).

The net return on investment operations at fair values stood at EUR 1,607.6 million (EUR 1,147.4 million). The return credited in technical provisions for the same period was EUR 1,014.9 million (EUR 798.1 million), of which technical provisions linked to equity income accounted for EUR 238.4 million

(EUR 117.5 million). The 2017 result of investment operations at current value was thus EUR 592.7 million (EUR 349.3 million). The loading profit came to EUR 23.3 million (EUR 29.1 million). The insurance business surplus was EUR –13.3 million (EUR –47.7 million), and other income EUR 5.8 million (EUR 3.2 million). Elo's combined total result at current value was EUR 608.5 million (EUR 333.8 million).

Based on the solvency capital and loading profit, a total of EUR 72.1 million (EUR 58.3 million) was allocated to customer bonuses at the end of 2017. This represents 0.57 per cent (0.49 per cent) of the policyholder payroll.

### Insurance business

Elo is still the clear market leader in YEL pension insurance in terms of the number of policies. One in three employer companies are insured by Elo. At the end of 2017, Elo administered 45,061 TyEL (45,149) and 83,978 YEL (84,578) insurance policies. The total number of self-employed persons and employees insured by Elo at the end of the year was 508,400 (492,200), or over half a million.

In 2017, the premiums written by Elo for insurance under the Employees' Pensions Act (TyEL insurance) increased to EUR 3,105.2 million (EUR 2,897.5 million) and the TyEL policyholders' payroll amounted to EUR 12,717.0 million (EUR 11,943.7 million). The premiums written for insurance under the Self-Employed Persons' Pensions Act (YEL insurance) was EUR 428.8 million (EUR 422.6 million), and the YEL confirmed income was EUR 1,824.2 million (EUR 1,861.6 million). EUR 23.2 million

(EUR 22.0 million) was entered as credit losses on insurance premiums in 2017.

Policyholders are free to transfer their pension cover to another pension insurance company on four dates every year, provided they have waited one year from the previous transfer. The result from transfer business was positive in 2017 as a whole. A total of 261 (306 ) new TyEL and 630 (1,329) new YEL insurance policies were gained. The premiums written for TyEL insurance policies grew by almost EUR 2.7 million (EUR 9.3 million). During the reporting period, Elo gained 5,299 (4,994) TyEL and 8,430 (7,933) YEL insurance policies through new customer prospecting.

Elo works in close co-operation with Fennia, LocalTapiola and Turva and serves as the employment pension partner for all three companies. Elo's services are available locally everywhere in Finland through our partners' service networks. Successful and effective collaboration with the partners has significantly helped Elo to reinforce its position as an employment pension insurer for companies and self-employed persons.

During 2017, the focus was especially on making the services easier and faster to use. Customers were consulted and the collected feedback was utilised in the development work of services and processes. The efficiency of the insurance application process was enhanced and received applications were processed within one day on average. The telephone service answering rates also exceeded the target level of 97 per cent. Of the TyEL and YEL insurance applications, 90 per cent were received electronically.

In particular, investments were made in the quality of customer service with the aim of strengthening the positive customer experience. Systematic measurement of the customer experience of the telephone service (NPS) was begun during the autumn, and the results have been at an excellent level.

### Pension services

The number of pension decisions issued on the basis of an application in 2017 was 26,100 (23,600).

Each month, approximately 227,200 (219,700) pensioners were paid their pension by Elo, amounting to a monthly total of about EUR 261.3 million (EUR 248.5 million). Old-age and disability pensions are the two largest items in claims expenditure. A total of EUR 2,620.3 million (EUR 2,473.1 million) was paid in old-age pensions, and EUR 306.2 million (EUR 312.7 million) in disability pensions.

### Pensions paid

Type of pension	No.	EUR million
Old-age pension	174,448	2,620
Disability pension	21,535	306
Survivors' pension	28,567	189
Part-time pension	544	8
Partial early old-age pension	2,118	11
<b>Total</b>	<b>227,212</b>	<b>3,135</b>

The pension decision activity was fast and high-quality. 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. The high quality of pension decisions is illustrated by the fact that the Pension Appeal Board changed only 11.8 per cent of Elo's disability pension decisions appealed by Elo's customers.

Pension services continued to invest in the development of a multichannel customer service. Of the customers responding to the pension services customer satisfaction survey, 86 (85) per cent gave an excellent grade for the service they received. The customer call response time at Elo was very short, averaging about 9.6 (9) seconds, and the call response rate was 99.6 (99.7) per cent. The online pension service was expanded during the year, which enables customers to handle more of their pension matters directly online.

The pension reform that entered into force in 2017 was seen in customer service. Elo's customers were interested in the effect of the pension reform on their own pension cover. In addition, partial early old-age pension, a new type of pension, turned out to be in high demand.

The year 2017 saw the launch of tools in Elo's online service helping Elo's customers' human resources foresee, prevent and manage risks related to incapacity to work and the resulting costs. In addition, rehabilitation and disability risk management services for employer customers were developed further.

### Work disability risk management

Elo offers its customer companies support in work capacity management, the purpose of which is to improve the quality of working life and extend careers. The goal of pre-emptive activity is to lower a company's work capacity risks and the costs deriving from sickness

absences and disabilities. Working capacity management also supports the personnel's ability to work towards the company's goals.

The Financial Supervisory Authority issued guidelines for the pension insurance companies' work disability risk management operations in March 2016. Under the new guidelines, services must be directed to companies in which there is an observed work disability risk. The measures must also be effective and help reduce work disability risk.

Elo developed work disability risk management services in 2017 strongly, taking the Financial Supervisory Authority's new guidelines into consideration. The focus of development efforts has been on digital services, which make it possible to offer work disability risk management services in accordance with the needs of the customers in a cost-efficient and effective way.

The development of Elo's online services has played a key role in the development work. Elo created a concept for a completely new kind of work capacity management service that can make it easier to monitor the effectiveness of work capacity management measures and rehabilitation and alert the customer to noticing how keeping employees capable to work has a positive effect on the company's employment pension contributions. The service launched in phases during 2017 relies strongly on visual features and real-time data. The new work capacity management tools have been embedded in Elo's online service alongside other electronic services. The pension and rehabilitation components of the online

services were deployed in August and the work capacity management component in November 2017. In the work capacity management component, customers can use a self-evaluation tool to estimate the state of work capacity management in their company and prepare a project plan to develop work capacity management.

A new workplace survey for Elo's customers was launched during 2017. The new survey was completed in September 2017 and, by the end of the year, over 100 customer companies had used the renewed service.

Workplace well-being projects were carried out with almost 1,000 customer companies in 2017. A total of 28 workplace well-being training events or webinars that were available for all customers were arranged in 11 localities. The content of the well-being at work training is built on the basis of the needs of our customer companies. The training provides resources for challenging situations in managerial work, early support of the employee and mentoring leadership, among other things. The customers considered the well-being at work training to be high-quality and inspiring. The attendees gave the training a score of 4.3 on a scale of 1–5, and 94.8 per cent would recommend it.

### Technical provisions

At the end of 2017, Elo's technical provisions totalled EUR 20,134.5 million (EUR 18,527.4 million). The technical provisions included approximately EUR 2,815.0 million (EUR 2,551.9 million) accrued from employee contributions.

### Technical provisions

EUR million	2017	2016
<b>Premium reserve</b>		
Future pensions	9,350.6	9,113.7
Provision for current bonuses	72.5	58.5
Provision for future bonuses	1,468.8	545.2
Provision linked to equity income	412.0	173.5
	<b>11,303.8</b>	<b>9,890.9</b>
<b>Provision for claims outstanding</b>		
Current pensions and clearing reserve	8,830.6	8,272.4
Equalisation provision	0.0	364.1
	<b>8,830.6</b>	<b>8,636.4</b>
<b>Total</b>	<b>20,134.5</b>	<b>18,527.4</b>

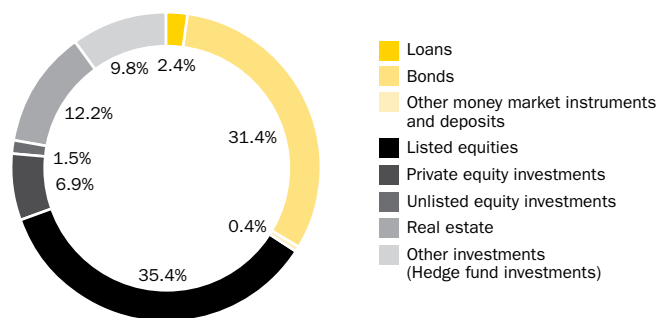
The premium reserve covers the company's responsibility for insured future events. The premium reserve also includes three additional provisions, of which the provision for future bonuses does not only cover investment risk but also the insurance business surplus. The provision for current bonuses is used for preparing for the payment of customer bonuses and the provision linked to equity income buffers equity risk. The insurance business surplus for 2017 was negative on the whole, which was mainly due to the disability business.

The provision for claims outstanding covers the responsibility for insured events which have already taken place. The provision for claims outstanding also includes a pay-as-you-go system buffer, the "clearing reserve" that also includes the EMU buffer.

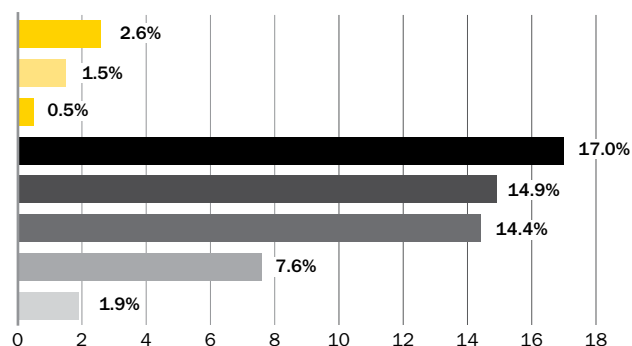
The average return on equities of the pension system to be transferred to the technical provisions was 9.59 per cent (5.80 per cent) on 31 December 2017, and the amount of provision for bonuses linked to return on equities was EUR 412.0 million (EUR 173.5 million) on 31 December 2017. The required return, amounting to a total of EUR 1,014.9 million (EUR 798.1 million), has been credited in technical provisions. The net investment income at current value was EUR 592.7 million (EUR 349.3 million) greater than the required return, as a result of which the euro-denominated solvency capital increased.

The mortality basis was recalculated under the pension reform that came into force at the beginning of 2017. The cost of the required increase in the mortality basis in old-age pensions will be covered by employment pension companies with the equalisation provision and funds released as a result of the decrease in the upper limit of the provision for bonuses linked to return on equities.

**Basic distribution**



**Return on invest**



**Investment operations**

**Basic distribution and returns on investments**

Elo's return on investments, 7.4 per cent, was excellent compared to the expectations for 2017. The investment strategies in different asset classes worked well and the allocation between different strategies supported the returns. Long-term determined development of investment strategies continued and the global diversification of investments increased. The allocation in well performing equity investments was also increased during the year.

In 2017, the fluctuations between the returns of almost all asset classes was considerably below average. Market volatility was at a historically low level, which in part reflects investors' confidence in the market and the surrounding economy.

The year 2017 was one of equities with returns reaching excellent levels. The good return from equities contributed significantly to Elo's overall return on investments. The year in equity markets was also marked as exceptional due to their steady performance with no major fluctuations seen during the year.

In the reported asset class-specific returns, the return from foreign currency derivatives is estimated in proportion to the foreign currency-denominated assets in the financial statements.

Elo's equity investments returned 16.6 per cent (9.3 per cent) and listed equity investments 17.0 per cent (9.0 per cent). With regard to Elo's listed equity investments, investments in emerging markets produced the best returns. Direct

**Asset allocation and investment income 31.12.2017**

	Basic allocation		Actual risk position		Return	Return incl. currency hedges
	EUR million	%	EUR million	%		
<b>Fixed-income investments</b>	<b>8,834.2</b>	<b>38.3</b>	<b>8,196.7</b>	<b>35.6</b>	<b>-1.8</b>	<b>1.4</b>
Loans	553.7	2.4	553.7	2.4	2.6	2.6
Bonds	7,189.5	31.2	7,241.7	31.4	-2.3	1.5
Bonds of public corporations	3,548.9	15.4	3,624.8	15.7	-5.7	-0.6
Bonds of other corporations	3,640.6	15.8	3,616.9	15.7	1.1	3.5
Other money market instruments and deposits inc. any receivables and liabilities related to investments	1,091.0	4.7	401.3	1.7	-1.0	0.5
<b>Equities</b>	<b>9,142.8</b>	<b>39.7</b>	<b>10,097.7</b>	<b>43.8</b>	<b>12.8</b>	<b>16.6</b>
Listed equities	7,208.1	31.3	8,163.0	35.4	13.6	17.0
Private equity investments	1,584.0	6.9	1,584.0	6.9	9.2	14.9
Unlisted equity investments	350.8	1.5	350.8	1.5	14.4	14.4
<b>Real estate</b>	<b>2,811.8</b>	<b>12.2</b>	<b>2,811.8</b>	<b>12.2</b>	<b>7.0</b>	<b>7.6</b>
Direct real estate investments	2,064.8	9.0	2,064.8	9.0	7.4	7.4
Real estate funds and joint investment companies	747.0	3.2	747.0	3.2	5.8	8.2
<b>Other investments</b>	<b>2,263.9</b>	<b>9.8</b>	<b>2,264.4</b>	<b>9.8</b>	<b>26.3</b>	<b>1.9</b>
Hedge fund investments	2,198.3	9.5	2,198.3	9.5	-2.5	1.9
Commodity investments	0.0	0.0	0.0	0.0	-	-
Other investments	65.6	0.3	66.0	0.3	-	-
<b>Total investments</b>	<b>23,052.8</b>	<b>100.0</b>	<b>23,370.6</b>	<b>101.4</b>	<b>7.4</b>	<b>7.4</b>
Effect of derivatives			-317.9	-1.4		
<b>Total</b>	<b>23,052.8</b>	<b>100.0</b>	<b>23,052.8</b>	<b>100.0</b>		

In the Return incl. currency hedges column, the return from foreign currency derivatives is estimated in proportion to the foreign currency-denominated assets on the reporting date.



equity investments in emerging markets were particularly successful, beating market returns by more than 20 percentage points with a total return of almost 50 per cent.

Elo's foreign exchange strategy also succeeded excellently and contributed positively to Elo's overall return. The US dollar began to weaken strongly after the first quarter and, on the whole, weakened by approximately 14 per cent during the year. However, most of the USD-denominated investment assets were kept hedged throughout the year. The amount of open currency risk was kept moderate on the whole during the year.

The volatility of the equity market decreased, reaching even a historically lowest level in part. The best equity markets in local currencies in terms of returns were emerging markets (MCSI approximately 37 per cent), the United States (S&P over 21 per cent) and Japanese equity markets (Nikkei approximately 21 per cent). The European and Finnish (HEXP approximately 11 per cent), on the other hand, produced lower returns in local currencies. The euro strengthened against the US dollar, among others, strongly during the year. This had a significant negative effect on a euro-denominated investor's return. Pricing in the equity market remained higher than the long-term average, especially in the United States. Measures by central banks and the lack of investment alternatives have supported the pricing in part. The increase in companies' result forecasts was strong, especially in the emerging markets and Europe.

The global corporate bond performed well. For example, with over 2 per cent returns in European investment-grade corporate bonds and over 6 per cent in European higher-risk corporate bonds. Long-term interest rates increased only moderately during 2017, and the narrowing of credit margins compensated for the change in interest rates in full.

Lower risk categories produced the best returns. This was influenced by, among other factors, the ECB's corporate sector purchase programme, improved economic growth, increase in oil price, companies' favourable profit development and the low number of bankruptcies. US expectations of tax reliefs and a growth-stimulating budget improved investor sentiment further towards the end of the year. Elo's return from corporate bonds was 3.5 per cent (6.5 per cent).

Changes in the interest rates of government bonds remained rather moderate throughout the year. In spite of the clearly tightening monetary policies of the US Federal Reserve (FED) and the European Central Bank (ECB), long-term government bond interest rates increased surprisingly little. In the United States, short-term interest rates increased with the FED's three rate hikes during the year. Long-term interest rates ended up at the same level as at the beginning of the year. The interest curve on the whole became significantly less steep. Elo's interest rate risk for investments in government bonds was kept moderate and the last euro-denominated government bonds were divested. The return from government bond investments was positive with the effect of currency hedges of the portfolio. Elo's investments in western

government bonds decreased further due to their weak return expectations.

Market returns on emerging market bonds varied on the basis of the currency in which one views the investments; USD-denominated bonds provided returns of over 10 per cent during the year, but the return from bonds denominated in local currencies remained at 1.2 per cent due to the strengthening of the euro. Tempting return levels, stable development of raw material prices and accelerating economic growth kept capital flows to emerging markets at a record-high level. Elo increased the share of fixed income investments in emerging markets further, and they returned 4.9 per cent in local currencies during the year.

As the result of central banks' stimulus measures, volatility across different asset classes remained low throughout the year, and there were few attractive investment opportunities between different markets. In Elo's hedge fund portfolio, this was particularly visible in the difficulties of macro funds investing in developed western countries in achieving good investment returns. On the other hand, macro funds focusing on emerging markets (EM) reached excellent returns during 2017, and also several equity-linked funds produced good returns. The share of hedge fund investments was decreased in Elo's investment allocation during the year. The return from hedge fund investments in 2017 was 1.9 (1.9) per cent, and it exceeded both the return expectation and the return of the comparison index.

The real estate investment market was very active, and transaction volumes in

Finland again broke records. On the whole, real estate prices increased only slightly, while the supply of prime premises sought by buyers was very low. Investments in new rental housing production also remained at a high level. In the rental market, office vacancy and rents remained at the same level apart from the prime properties in central Helsinki, where rents clearly increased. Due to increasing online sales, the number of vacant business premises increased slightly, and the supply of rental housing in growth centres also increased further.

The year was busy for Elo's real estate investment operations in Finland, with especially divestments amounting to approximately EUR 160 million. Correspondingly, new investments amounted to approximately EUR 120 million. Agore Ky, a company with an investment volume of approximately EUR 350 million investing in central properties in provincial growth centres, was established with Första Fonden and Trevian. International real estate investments increased by approximately EUR 30 million. Direct real estate investments returned 7.4 per cent (6.5 per cent) and real estate investment funds 8.2 per cent (6.3 per cent).

Infrastructure investments increased by over EUR 100 million, the most significant being the investment in L&C Timberlands, a company owning forest in Oregon, the United States.

Demand for financing for businesses increased further with the picking up of the economy. The demand for financing mainly concerned mergers and acquisitions and the

needs for working capital funding brought about by economic growth. Companies' investments remained at a relatively low level. The supply of financing to companies from both public entities and banks was active. Elo's loan portfolio somewhat increased. Return on loans was 2.6 per cent (2.9 per cent), which was moderate in the current low interest rate environment.

Elo's equity investments were increased further, and their value was EUR 1.6 billion at the end of the year. New commitments of more than EUR 600 million were given to private equity funds and loan funds during the year. Return on equity investments was 14.9 per cent (9.6 per cent).

### **Risk management and risk monitoring**

Elo aims at comprehensive risk management that supports the implementation of the company's strategy and business objectives and safeguards the continuity of operations. According to the company's risk management policy, risk management must cover all functions and risk types and be systematic.

From the point of view of risk management, Elo's fourth year of operations can be considered successful, similar to previous years.

For employment pension companies, the most significant risk is related to the management of solvency. Solvency is influenced by many individual factors, but the realisation of investment risks has the biggest individual impact. By accepting market risk the company seeks a return that exceeds the return requirement for technical provisions. If the return form

investments exceeds the return requirement, the company's solvency ratio improves, and if the return on investments falls short of the return requirement, solvency is impaired. The risk level of investments is primarily regulated by a framework of solvency rules set by the authorities, under which Elo's Board of Directors authorises its investment function to operate. The Board of Directors sets the company's risk appetite and general goals for sufficiency, diversification and liquidity through the company's investment plan. The investment plan defines the annual targets with regard to risk and return for the investment function, as well as the authorisations for risk taking within the framework authorised by the Board of Directors and executive management.

Elo employs a solvency management model developed by the company. Solvency is analysed using the internal models and scenario and stress tests available to the company. The solvency management model sets a risk exposure level that accounts for the prevailing market conditions, investment views and solvency. The solvency management model incorporates roles for the Board of Directors and the management, and for the investment, reporting and monitoring functions.

Elo's solvency ratio increased somewhat in 2017 from the level at the end of 2016. The return on investments was excellent on the whole, especially thanks to equity investments. The equity market was strong throughout the year and produced a good return on average, even though there were major differences between the geographical areas. The solvency ratio and the risk-taking opportunities were still at a good level at the

end of the year. Investment risk remained moderate in relation to the risk-taking capacity most of the year. The investment risk level was increased significantly during the second half of the year through equity investments, emerging market loans and open currency exposure. The overall risk level was clearly higher than at the time of the previous financial statements.

Besides solvency, other strategic risks concerned changes in the operating environment, partnerships, competition mechanisms of performance, among others.

The most significant operating risks in 2017 involved staff competence demands changing continuously due to changes in the environment, external services and data security. Information system risks have stabilised. During the year, development of operative risk management involved reporting and analysis as well as rehearsal and drafting of system recovery plans.

The company's risk management plan was drafted similarly to previous years, and the Board of Directors approved it. As part of risk management and strategic decision, Elo's own risk and solvency assessment, or ORSA, pursuant to the Employment Pension Companies Act was prepared for the first time in 2017 for the Board of Directors to approve. The ORSA assesses the impact of material risks on the company's operations and the required measures.

The company's risk management is described in more detail in the note to the Report of the Board of Directors, Elo's risk management.

### **Total operating expenses**

Total operating expenses for 2017 amounted to EUR 134.6 million (EUR 129.9 million). Operating expenses covered by the expense loading totalled EUR 98.7 million (EUR 95.6 million), and operating expenses covered by investment income came to EUR 25.8 million (EUR 24.0 million). Operating expenses of EUR 2.1 million (EUR 2.6 million) related to disability risks maintenance were paid from the disability loading of the premium. Operating expenses of EUR 0.9 million (EUR 0.9 million) related to disability risks maintenance were paid from the expense loading of the premium. Total operating expenses included EUR 8.0 million (EUR 7.7 million) in statutory charges, which are covered by a separate share of the premium.

Personnel costs accounted for 27.5 per cent (29.2 per cent) of the total operating expenses. Expense loading totalled EUR 121.9 million (EUR 124.6 million) for the year. The loading profit was EUR 23.3 million (EUR 29.1 million). Operating expenses were 80.9 per cent (76.7 per cent) of the premium expense loading.

### **Personnel**

Elo had an average of 506 (502) employees in 2016 and the average amount of work performed was 462 (451) man-years. Of the total employees, 89 per cent (88 per cent) were employed on a permanent basis and 11 per cent (12 per cent) on a fixed-term basis. The average age of employees was 44 (44). Women accounted for 67 per cent (68 per cent) of employees and men for 33 per cent (32 per cent).

The focus of Elo's personnel work in 2017 was on implementing procedural



competence reflecting the corporate culture and their visibility in day-to-day work. As part of competence development, Elo launched the Talent programme aimed at providing talented and motivated Elo employees with new challenges, networking and opportunities for developing Elo's business across unit boundaries. Fifteen Elo employees from across the organisation were selected for the two-year Talent programme.

Elo's fifth personnel survey was conducted in autumn 2017. The PeoplePower index, which indicates the personnel's commitment and the prerequisites for it, further improved. In autumn 2017, the PeoplePower index was 69.8, compared with 69.1 a year earlier and 61.6 in the first survey. Elo's score is exactly the same as the Finnish norm for specialist companies.

The aim of rewarding is to facilitate the achievement of Elo's strategic goals. 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. Remuneration systems are used to enhance the profitability of work and the skills and commitment of the personnel. The forms of monetary remuneration at Elo over and above basic salaries are the performance bonus system defined on a uniform basis for the different personnel groups, and the separate 'one-off' bonuses. Elo views

remuneration as an integrated whole, where monetary remuneration is supplemented with comprehensive personnel benefits and immaterial remuneration, such as training and development opportunities.

In 2017, the performance bonus system for personnel covered 77 per cent of all employees, while the performance bonus system for the investment management members and the investment unit covered 10 per cent, the performance bonus system for management 4 per cent, the performance bonus system for sales 4 per cent, and the performance bonus system for independent risk management and reporting 5 per cent of the personnel. Employees can be covered by one bonus system at a time. The performance bonuses are usually paid once a year, after the actual results for predetermined targets have been ascertained.

Elo's remuneration statement gives more detailed information on the remuneration system at Elo and the criteria involved. The statement is available on Elo's website at [www.elo.fi](http://www.elo.fi).

### Corporate governance

Elo's Board of Directors comprises representatives of the central labour market organisations, as well as of the customers and stakeholders. The number of ordinary members of the Board of Directors was decreased so that in 2017 the Board of Directors comprised twelve ordinary members and four deputy members. In 2017, Eeva-Liisa Inkeroinen was Chairman of the Board and Ann Selin and Antti Aho were Deputy Chairmen. The other Board members were Jari Karlson, Antti Kuljukka,

Outi Lähteenmäki (until 21 November 2017), Jorma Malinen, Janne Makkula, Marjo Matikainen-Kallström, Erkki Moisander, Olavi Nieminen, Susa Nikula and Niklas Sonkin (as of 22 November 2017). The deputy Board members were Jouko Liimatainen, Sinikka Näätsaari, Penna Urrila and Daniela Yrjö-Koskinen.

In 2017, the members of the Appointment and Remuneration Committee included Eeva-Liisa Inkeroinen, Ann Selin and Antti Aho. The Board's Audit Committee members were Jari Karlson, Outi Lähteenmäki (until 21 November 2017), Marjo Matikainen-Kallström and Niklas Sonkin (as of 18 December 2017).

The members of Elo's Supervisory Board are elected by the Annual General Meeting. In 2017, Klaus Saarikallio served as Chairman of the Supervisory Board, and Håkan Nystrand and Ilkka Brotherus as Deputy Chairman.

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

The CEO of Elo is Satu Huber. Elo has not appointed a deputy or substitute managing director.

In addition to Satu Huber, Elo's Executive Group comprised Mika Ahonen (Legal Affairs,

Communications and PR, Compliance), Matti Carpén (Customer Relations and Customer Channels, ICT), Hanna Hiidenpalo (Investments), Mikko Karpoja (Actuarial Services, Appointed Actuary), Erja Ketko (Risk and Business Control), Sarianne Kirvesmäki (Finance and Investment Risk Supervision), Hilikka Malinen (Human Resources) and, until 31 August, Keijo Kouvonen (Insurance Policies and Pensions). After Keijo Kouvonen retired, Jouni Seppänen was appointed as member of the Executive Group with responsibility for pensions on 1 September. At the same time, insurance policies were included in the responsibilities of Matti Carpén. Jonna Ryhänen (Securities) and Timo Stenius (Unlisted Investments) joined the Executive Group as of 1 September.

Elo's management system was revised on 1 September 2017. In addition to the Executive Group, matters are also dealt with under the CEO's supervision in the executive groups responsible for the Customer business, investments and governance.

In its meeting on 24 April 2017, Elo's general meeting decided the number of Supervisory Board members to be 43. The following were elected as members of the Supervisory Board:

- with regard to those whose term ended, Vesa Aallosvirta (SAK), Maria Hanho, Johanna Heikkilä, Tero Jussila (EK), Pekka Kampman (STTK), Olavi Kaukonen, Heikki Kyntäjä (EK), Mikael Pentikäinen, Terhi Penttilä (EK), Marko Piirainen (SAK), Kimmo Simberg, Mika Varjonen (Akava) and Olli Vormisto (EK) were re-elected for the term 2017–2020

- Mikko Leppälä was elected as a new member for the term 2017–2020
- to replace members who resigned during their term, for the term 2017–2018 Satu Yrjänä and for the term 2017–2019 Pekka Metsi, Heikki Pesu, Harri Miettinen (EK) and Tapio Volanen (EK).

The Annual General Meeting appointed the firm of authorised public accountants Ernst & Young Oy as Elo's auditor, with Ulla Nykky, APA, as the auditor with principal responsibility.

Elo will issue a separate corporate governance statement in connection with the publication of its financial statements and the Board of Directors' report.

### **Elo's capital and reserves and surplus**

On 31 December 2017, Elo's capital and reserves consisted of restricted capital and reserves that included an initial fund of EUR 6,693,879.47 (EUR 6,693,879.47) and of non-restricted capital and reserves that included a contingency fund of EUR 63,705,786.46 (EUR 63,705,786.46), a contingency fund of EUR 29,096,550.26 (EUR 29,091,990.32) and retained earnings amounting to EUR 1,841,728.24 (EUR 1,841,728.24). Elo has no guarantee capital.

The surplus for the financial year totalled EUR 5,086.64 (EUR 4,559.94).

The Board of Directors proposes that the financial year surplus of EUR 5,068.64 be transferred to the contingency reserve.

### **Elo Group**

Elo is a mutual insurance company whose voting rights at Annual General Meetings are exercised by policyholders and the insured.

At the end of 2017, the parent company's group included 98 (107) housing and real estate companies as subsidiaries. The Group also includes three other companies (names given in the notes) and Probus Holding Ltd and Tammi-Kodit Ky as affiliated groups. The Group includes nine affiliated companies.

### **Future outlook**

At the beginning of 2018, the expectations for economic development are quite positive. Consumer confidence is record high worldwide, and indicators measuring companies' outlooks suggest that the favourable economic cycle will continue. Inflation expectations remain very low, but it seems that the threat of deflation has receded.

The consensus estimate of global economic growth is 3.7 per cent, or even higher than the growth in 2017. Growth in the euro area is expected to slow down slightly, to maybe 2 per cent, but US growth is expected to somewhat accelerate to 2.6 per cent. Also growth in large emerging economies, the BRICS countries, seems to be on a slight increase at just over 5.5 per cent.

Similar to the euro area, the best growth spurt in Finland is expected to wane, and the consensus estimate of growth in the Finnish economy is 2 per cent for 2018. However, the economic development seems quite balanced, with, in addition to the already brisk construction activity, the

outlook seems quite optimistic for both private consumption and export demand. This will maintain companies' willingness to invest. "Sustainable growth" in the euro area and Finland is estimated to be under 1.5 per cent, so current growth will continue to decrease unemployment and production overcapacity. The biggest risks for the year are related to the financial market, international politics and freedom of commerce.

The post-financial crisis growth has already continued for eight years. In major industrial countries, such as the United States, Germany and Japan, the production capacity of the economies is beginning to come fully into use, which usually would mean the emergence of pay and inflation pressure. However, there are no signs of this yet, so the central banks can normalise the highly stimulating monetary policy calmly.

The risks to economies and markets in 2018 are mainly related to the efforts of emerging economies, especially China, to control their indebtedness without compromising growth. Geopolitical risks have again increased with regard to North Korea and the Middle East. With regard to OECD economies, the most significant economic risk would be the current growth spurt turning into significantly higher inflation expectations, which would force central banks to tighten their monetary policy and probably cause extensive pressure on the investment market.

The risk level of Elo's investment assets is slightly higher year-on-year, but considering the pension and solvency reforms, the risk level is moderate at the beginning of 2018. The development of the returns

from investments is influenced by several uncertainties in 2018, such as economic development and economic and geopolitical risks, continued relatively low interest rates as well as the somewhat high valuations of other assets. Thus, the return expectations on the whole are lower than in previous years.

The application of the EU's General Data Protection Regulation (GDPR) (EU 2016/679) will commence as an EU-wide change in the operating environment as of 25 May 2018. The key aim of the Regulation is to provide private persons with more extensive rights to manage their personal data. The reform has effects on all processes, systems and operating methods at Elo processing personal data. Elo has begun the preparation for complying with the new requirements during 2017 by establishing a separate project. The work will continue during this year, also after May. The purpose of Elo's project for preparing for the GDPR is not only to meet the requirements of the Regulation, but also to shape Elo's operating practices to ensure that the employees commit to the new regulation and actively take care of compliance with it.

The Elo Board of Directors would like to thank the company's personnel and management for all their good work during 2017.

### **NON-FINANCIAL INFORMATION**

#### **Description of the business model**

Elo's basic mission of safeguarding current and future pensions includes responsibility. Elo influences the surrounding society

by carrying out its own task of enforcing statutory employment pensions efficiently, investing employment pension assets in a safe and profitable way and by responsibly and equally looking after its customers, and developing customer experience. These aspects are included in Elo's strategic main targets: solvency, performance and growth. Our investment assets amount to over EUR 23 billion.

Elo's responsibility is reflected in its operations in the form of responsibly managing employment pension assets and good customer experience, looking after the personnel and careful management of administration. With regard to environmental responsibility and human rights, Elo's investment operations have the most extensive impacts.

Elo is an employment pension company owned by its customers, and its basic task is to take care of the statutory employment pensions of the customer companies' employees and entrepreneurs. Earnings-related pension is an important part of the social security of Finnish employees and self-employed persons. Elo is responsible for the future pensions of more than 500,000 employees and self-employed persons. Retiring means a major change in a person's life, and the aim is that using Elo's services is as effortless and flawless as possible and that all of our customers are treated equally and fairly. Elo provides current pensions to about 227,000 pension recipients, for example.

Through the management of risk of incapacity for work and rehabilitation, Elo is involved in lengthening working careers,

which is important for the individual and society. Maintaining the capacity for work and preventing sickness absence also help our customer companies to prevent resulting costs.

### **Personnel responsibility**

Elo's HR work is guided by the personnel strategy. The personnel vision is that Elo wants to be an appreciated and developing work community where everyone can experience success. There are four focal areas in its implementation: reforming competence, responsible and inspiring leadership, personnel committed to development and prepared to change, as well as flexible resourcing.

Elo has prepared for risks related to the competence of personnel, such as the availability of skilled employees and increasing competence demands. During 2017, the focus areas of training included information system competence and the effects of digitalisation on business, strengthening Elo's core competencies and developing management and supervisory work.

During 2017, Elo launched the Talent programme aimed at providing the specialists with new challenges, networking and opportunities for developing Elo's business across unit boundaries. Competence was increased by adding our proprietary online course offering. All Elo employees must complete courses on Elo's Code of Conduct, data security, safety, continuity management and reward system. Elo employees used on average 20.89 hours per year on training.

Elo annually conducts a personnel satisfaction survey. In 2017, 90 per cent of Elo employees responded to the personnel survey. The PeoplePower index of overall satisfaction was 69.8 (69.1). Elo's score was on a par with the average for Finnish specialist companies. The aim is to increase the result to the class "good", or 71.4.

### **Workplace well-being and work capacity**

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. The different 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 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. Occupational safety and health activities cover all of Elo's personnel. In 2017, the focus was especially on preventing musculoskeletal disorders and skills relating to managing one's own work.

### **Equality and diversity**

Once every two years, Elo prepares an equality plan. 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 aim is to develop gender equality over the long term.

At Elo, men and women are equally represented in positions at different levels. Women accounted for 69 per cent of employees in clerical and specialist positions in 2017, men for 31 per cent. Women accounted for 57 per cent of employees in managerial positions, men for 43 per cent. Women accounted for 58 per cent of employees in executive positions, men for 42 per cent.

Elo has prepared a guideline on investigating cases of bullying, and it is available to all employees in the intranet. Elo has zero tolerance for bullying and harassment.

Elo does not accept pay differentials due to age, gender or other discriminatory grounds. During 2017, all employees were moved to a single common reward system, and Elo adopted the Hay job evaluation system for the entire personnel.

Elo's cooperation forum monitors the implementation of the equality plan. Its key tasks include various personnel issues when they concern all or the majority of employees. The cooperation forum convened four times during 2017.

### **Elo's corporate governance system**

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.

### **Compliance activities**

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. Compliance activities are 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, the compliance organisation comprises unit-specific people responsible for compliance. 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

observations that are critical or otherwise significant to Elo's operations and severe compliance situations and making decisions on them. There were no critical compliance risks in 2017.

Elo opened a whistleblower channel in 2017, aimed at allowing the reporting of concerns and abuse related to the Code of Conduct anonymously. The reports submitted are processed by the Compliance Officer, who submits the matter to the compliance board to decide on, if necessary. The employees were told about the channel in training sessions covering the entire company. In 2017, no whistleblowing reports were submitted.

### **Insider guidelines and anti-corruption guidelines**

Elo follows an insider guideline pursuant to the Act on Employment Pension Insurance Companies. 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 by virtue of their position or responsibilities. The insider regulations are also applicable to temporary insiders who may receive project-specific insider information.

Elo 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.

### **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. The Code of Conduct addresses, among other things, good corporate governance, data protection, corruption, working life and human rights. Each Elo employee has an obligation to comply with the Code of Conduct and report any suspected breaches of the operating procedures. Elo's principles of responsible investment also include monitoring the implementation of human rights.

Elo's own business operations and supply chain are mainly in Finland, and Elo has not reported risks related to violations of human rights. Risks will be surveyed extensively the next time in 2018.

Elo's Code of Conduct includes anti-corruption guidelines. Elo prepared an online course on the Code of Conduct during 2017. The aim is for all Elo employees to complete the course.

### **Responsibility for investments**

Responsible investment is an integral part of Elo's investment operations and the assessment of investments. The responsibility for investments is assessed using the ESG factors (Environment, Social, Governance). Elo's Board of Directors approves the principles of responsible investment. The investments executive group is responsible for the principles. It is supported by the responsible investing steering group.

Elo's Board of Directors approved the principles of responsible investment and the new investment climate strategy in spring 2017. The climate strategy supplements Elo's principles of responsible investment. Elo's principles of responsible investing and responsibility with regard to investment operations are made up of the following areas: responsible operating methods, compliance with international norms, the assessment of responsibility as part of the analysis, decision-making and monitoring related to investments, as well as ownership steering and other means of influence.

Elo's ownership steering principles were also updated and aspects of corporate responsibility were included in them. Elo considers it important for companies to not only report financial data, but also material information about the realisation and objectives of corporate responsibility.

### **Environmental responsibility in investing**

Taking climate change into consideration is related to the assessment of the environmental responsibility for investments. Elo's aim is that by 2025, a significant share of the investments will support the achievement of the UN's sustainable development goals. Elo's climate strategy aims at a comprehensive assessment of the climate risks and to exploit the investment opportunities introduced by climate change. Elo's climate strategy supplements Elo's principles of responsible investment.

As an ongoing goal, Elo strives to ensure that investments do not involve excessive climate risk. Climate risk refers to the risk

to the company's business and society at large due to the effects of climate change. From the investor's point of view, the risks can be at least divided into the physical effects of climate change, transaction risk, or the transition to low-carbon society, and system risk of the financial market. Elo's objective is to ensure sustainable returns for investments, taking into account the challenges that climate change imposes on the financial markets and our investments.

As a signatory to the Montréal Pledge, Elo publicly discloses the carbon footprint of investments on an annual basis. In 2017, international climate organisation AODP placed Elo in the best AAA category and also rated the company 10th among 500 asset owners globally. Elo was the first Finnish investor to join IIGCC (The Institutional Investor Group on Climate Change) in autumn 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.

The carbon footprint of Elo's listed equity investments was 154 (tCO<sub>2e</sub>/MUSD) and it decreased by 25 per cent year-on-year. The carbon intensity of listed equity investments was 230, down 15 per cent from the comparison index. Carbon intensity decreased by 4 per cent compared to 2016.

The carbon intensity of Elo's listed corporate bonds was 308 (tCO<sub>2e</sub>/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 was 16 (tCO<sub>2e</sub>/MEUR), while the previous year it was 17. In real estate, the trend in weather-adjusted energy consumption was declining with regard to both heat and electricity.

The carbon footprint calculation already covers 47 per cent of Elo's investment assets.

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) tCO<sub>2e</sub>.

### **Human rights and active ownership**

The monitoring of the corporate responsibility aspects of investments include monitoring the human rights-related principles arising from the UN Global Compact. Taking human rights into consideration is part of the social responsibility of investments, and it is assessed as part of assessing the responsibility of investments. Breaches of human rights are not part of sustainable business, and considering human rights as part of responsible investment is important from the human and investment risk management points of view.

In determining the responsibility of investments, international standards, such as the UN Global Compact Initiative, which includes human rights, are taken into consideration. If an investment does not meet our responsibility principles, we can launch or participate in an influence process to change the activities of the investment.

Elo uses a process to monitor breaches of standards, using MSCI as the service provider. The monitoring of breaches of standards covers 85 per cent of listed equity investments and 87 per cent of corporate bond investments, and 40 per cent of Elo's total investment assets. The Global Compact corporate responsibility standard includes 10 principles on the environment, human rights and labour.

Elo implemented active ownership by participating in Finnish listed companies' nomination committees and attending general meetings.

Additional information about the aspects of corporate responsibility and the results for 2017 is provided in Elo's annual and responsibility report. The GRI standards are used as the reporting framework. Elo's Board of Directors signs the corporate responsibility disclosures as part of financial statements reporting annually.



# Accounting policies 2017

The financial statements have been prepared in accordance with the Accounting Act and Decree, the Limited Liability Companies Act, the Pension Insurance Companies Act and the Insurance Companies Act. The financial statements comply with the Act on the Calculation of the Pension Provider's Solvency Limit and the Covering of Technical Provisions, the Ministry of Social Affairs and Health decree on the financial statements and consolidated financial statements of insurance companies, the calculation bases adopted by the Ministry of Social Affairs and Health and the regulations and guidelines issued by the Ministry of Social Affairs and Health and the Financial Supervisory Authority.

## **Consolidated financial statements**

Elo's consolidated financial statements include the subsidiaries in which the Group's share of votes is more than 50 per cent. In 2017, 98 housing and real estate corporations and three other companies (names given in the notes), as well as the Probus Holding Ltd and Tammi-Kodit Ky affiliated groups, were consolidated with the Elo Group as subsidiaries.

The consolidated financial statements have been prepared, in accordance with the accounting principles observed by the parent company, as combinations of the parent company's and the subsidiaries' profit and loss accounts and balance sheets. Intra-group income and expenses, profit

distribution, receivables, liabilities and cross-holdings have been eliminated. Subsidiaries acquired during the financial year are consolidated as of their time of acquisition, and divested subsidiaries are consolidated until their time of sale.

Minority interests in the financial result and in the capital and reserves have been reported as separate items.

Intra-group cross-holdings have been eliminated using the acquisition method. The resulting consolidation difference has been allocated to the subsidiaries' assets within the limits allowed by their current values. When the current value is exceeded, the difference has been entered as goodwill. The consolidation difference is depreciated in accordance with the planned depreciation of the related asset. Goodwill is depreciated over 10 years. Revaluations of group shares in earlier financial years are reported in the consolidated balance sheet as revaluations of real estate owned by the subsidiary.

Associate companies that are included in the notes and in which the Group holds 20 to 50 per cent of the votes have been consolidated in the consolidated financial statements using the equity method. Elo Group does not include affiliated companies consolidated based on considerable influence. The housing and real estate corporations that are associate companies have not been included in the consolidated financial statements because their

impact on the consolidated result and on non-restricted capital and reserves is minor.

Copies of the consolidated financial statements are available at Revontulentie 7, Espoo.

## **Premiums written**

TyEL (Employees' Pensions Act) premiums written is determined by the total TyEL payroll and the contribution percentage. The provisional premium based on the payroll estimate and collected during the financial year has been adjusted in the financial statements using the adjustment premium estimate. The premiums written for the financial year also include the difference between the estimated and actual adjustment payments for the previous year.

The YEL premiums written is determined according to self-employed persons' confirmed income and contribution percentage.

## **Claims incurred**

Claims incurred consist of pensions paid to pension recipients, rehabilitation costs, clearing of division of costs, operating expenses from working capacity maintenance and claims handling, and the change in the provision for claims outstanding.

## **Book value of investments**

### ***Real estate investments***

Buildings and structures are reported in the balance sheet at the lower of acquisition cost less planned depreciation and current value.

The value adjustments and readjustments made on real estate are entered in the profit and loss account. Value readjustments with effect on profit have been made on divested real estate before entering capital gains. No revaluations were made on the book values of real estate during the 2017 financial year.

### ***Shares and holdings***

Shares and holdings have been entered in the balance sheet at the lower of acquisition cost and current value. The amount corresponding to the increase in value from value readjustment of shares and holdings carried out in previous years has been entered in the profit and loss account at acquisition cost. Shares and holdings have been recorded using the average price principle.

### ***Financial market instruments***

Financial instruments include bonds and money market instruments. The balance sheet value of financial instruments is their acquisition cost, calculated using the average price. Value adjustments due to changes in interest rates are not entered, however. The acquisition cost is adjusted



by the amortised difference between the nominal value and the acquisition value. The difference between the nominal value and the acquisition value is amortised as a decrease or increase in interest income over the maturity of the financial instrument. The amount of matching entries included under acquisition cost is presented in the notes to the balance sheet.

### **Loans, other receivables and deposits**

Loans, other receivables and deposits have been valued at the lower of their nominal value and probable value.

### **Derivative contracts**

Elo uses derivatives to reduce investment risk and for hedging, increasing market risk and enhancing the efficiency of investment operations. Elo used equity, fixed income, credit risk, commodity, volatility and foreign currency derivatives during the financial year.

Profit and loss from the termination or expiration of contracts during the financial year have been entered under income or expenses for the year.

Hedging calculation is applied only to derivative contracts that meet the requirements set in the guidelines of the Financial Supervisory Authority. Derivative contracts to which hedge calculation has been applied have been valued together with the hedged item. Derivative contracts made for hedging purposes are valued together with the hedged balance sheet item. If no change in value is entered on the hedged balance sheet item, no entry is made on the hedging contract under profit and loss unless its negative value change exceeds

the positive value change of the hedged balance sheet item. If a readjustment is entered on the hedged item, the entire value change of the derivative used is entered as an expense. Hedge calculation has not been applied in bookkeeping.

The unrealised loss from derivative contracts made for purposes other than hedging is entered as an expense in the profit and loss account in its entirety. Unrealised profits are not entered under income.

### **Premium receivables**

Premium receivables consist of the adjustment premium estimate and overdue insurance premiums unpaid at the close of the financial year. Premium receivables are entered in the balance sheet at the lower of their nominal value and their probable value.

Overdue insurance premiums that have been deemed disqualified for payment or that are receivables from companies that have been declared bankrupt are entered as credit losses. In addition, reduced receivables from confirmed business restructuring and receivables the collection of which has been discontinued due to the small sum of the receivable have also been entered under credit losses. Credit losses have been entered on major business restructuring that is incomplete at the turn of the year on the basis of appraisal. Credit losses on YEL premium receivables are primarily entered due to expiration.

### **Depreciation and calculation principles – general**

The acquisition cost of depreciable assets has been capitalised and is entered as

depreciation according to plan under expenses during its useful economic life. Revaluations on depreciable assets entered as income have also been depreciated according to plan.

Software licences presented as intangible rights, and other long-term costs associated with software system projects have been capitalised and entered as depreciation according to plan under expenses during their useful economic life.

**Straight-line depreciation** is carried out on the original acquisition cost according to the following useful economic lives:

Residential, office and commercial premises	50 yrs
Industrial property and warehouses	40 yrs
Hotels	50 yrs
Intangible rights	5 yrs
Motor vehicles	5 yrs
Computer hardware	3 yrs
Equipment	10 yrs
Office machines	3 yrs
Other long-term expenses	3–10 yrs

Depreciation of the original acquisition cost is calculated using reducing balance depreciation: Technical equipment in buildings, machinery and equipment 20%

### **Current value of investments Real estate investments**

The values of direct real estate investments have been assessed in their entirety by an independent authorised property valuator, with the exception of a few separate buildings and also new buildings completed and sites undergoing modernisation in

2017. The evaluations of all real estate investments have been made on the valuation date 31 December 2017.

Business premises have been valued using the income approach and applying a 10-year cash flow method. Properties undergoing modernisation and new buildings have been valued using the cost value method. Plots and associated project plans have been valued together, taking into account the value of building rights and work in progress capitalised in bookkeeping. Residential properties (owned directly by the parent or subsidiary) have been valued both on a cash-flow basis using the income approach and using the comparable sales method, taking overall value adjustment into account so that the market value is determined as an average of the values derived from these methods. The market value of a residential property may not exceed the market value determined using the comparable sales method.

### **Shares and holdings**

The trade quotation used as the current value of listed shares and such securities for which there is an existing market is the closing rate determined by the closing auction of the equity in question. If a share is not traded in the closing auction, the closing rate is the last actual trade quotation.

The current value of non-listed shares and holdings is the probable transfer price, acquisition price or net asset value.

Fixed asset shares have been valued in the balance sheet at their acquisition cost

as this is considered to correspond to their current value.

In the case of equity and fixed income funds, quotations are primarily based on the value of the fund unit indicated by the fund management company in a public price monitoring system.

In the case of private equity funds, the acquisition cost or the current value estimate of the fund indicated by the fund management company has been used as the current value.

The current value used for hedge funds is the market value based on the fund valuation received from the fund's custodian.

### **Financial market instruments**

The current value of financial market instruments – bonds and money market instruments – is based primarily on market prices. If no market price is available or if the current value of the investment cannot be reliably determined, valuations issued by external parties are used or the current value is calculated using commonly accepted models for calculating market prices or the amortised acquisition price is used as the current value.

### **Derivative contracts**

The current value of exchange-listed derivative contracts is primarily the closing rate based on the closing auction or the latest price quotation. The current values of derivative contracts, liabilities and collateral received and given on derivative trades are presented in the notes. The current value of OTC derivatives is calculated using generally accepted valuation models.

### **Foreign-currency denominated receivables and debt**

Foreign-currency denominated receivables and debt have been converted into euros at the exchange rate quoted by the European Central Bank on the closing date.

For other investments, the lower of the acquisition date exchange rate and the closing date exchange rate has been used, adjusted by the change in the market price of the security. Where the closing date value is lower than the original acquisition price, a value readjustment has been made.

Allocated exchange rate differences have been treated as adjustments of the associated income and expenses.

Unallocated exchange rate differences that have arisen during the financial year have been entered under other results and expenses from investment operations.

### **Operating expenses and depreciation by operation**

The company's operating expenses have been allocated in accordance with the regulations of the Financial Supervisory Authority as indicated in the notes. Depreciation of equipment and long-term costs are included in the profit and loss account of the relevant operation. Claims administration and disability management have been included under claims paid in the profit and loss account. Expenses from disability risk management covered by expense loading entered as business expenses are shown separately. Investment management expenses and planned depreciation expenses from buildings have been included in investment management expenses. Expenses from acquiring,

processing and managing insurance have been presented as operating expenses.

Statutory charges have been included in administrative expenses.

### **Direct taxes**

Direct taxes from the financial year and previous financial years have been entered in the profit and loss account on an accrual basis.

### **Provisions and tax liabilities**

Because their realisation is unlikely, deferred tax liabilities and assets have not been presented on valuation differences of investments, which are presented in the notes. In the consolidated financial statements, accrued depreciation difference and taxation-based provisions have been divided into change in the deferred tax liabilities and result for the financial year, and into deferred tax liabilities and capital and reserves.

### **Other liabilities**

Other liabilities than technical provisions are entered at nominal value in the balance sheet.

### **Pension arrangements**

Statutory pension provision for personnel has been arranged through TyEL insurance. Some members of the personnel are provided with a supplementary pension benefit, which is determined on the basis of when the employment relationship started, its duration and the employment history. One of the directors has been provided with a supplementary pension benefit through a voluntary pension arrangement. The retirement age of the Chief Executive

Officer is 64. The Chief Executive Officer has supplementary pension insurance with an annual pension accrual of 0.2 per cent.

Pension expenses for the year have been entered on an accrual basis.

### **Technical provisions**

Liability resulting from insurance contracts has been entered as technical provisions. Technical provisions are calculated in accordance with calculation principles approved by the Ministry of Social Affairs and Health. Technical provisions comprise the premium reserve and the provision for claims outstanding.

The premium reserve comprises the provision for future pensions, provision for current bonuses, which includes the amount reserved for bonuses granted to policyholders, and the provision for future bonuses, which is included in the solvency capital. The premium reserve also includes a provision linked to equity income, the amount of which depends on the average return of pension providers' equity investments.

The provision for claims outstanding comprises the provision for current pensions and the clearing reserve.

When calculating the technical provisions for solvency, the provision for future bonuses and the premium reserve under the Self-Employed Persons' Pensions Act are deducted.

During the financial year, the company received a small employer-specific insurance portfolio.

### **Solvency capital**

Solvency capital is the amount by which the company's assets at current value

## Accounting Policies

exceed its liabilities. The equalisation provision included in the solvency capital acts as a buffer primarily against changes in the insurance business, and the rest is intended for covering investment risks. The solvency capital less the equalisation provision comprises the company's capital and reserves, the difference between the current and the book values of its assets, the provision for future bonuses included in its technical provisions and any depreciation difference less intangible assets in the balance sheet.

### **Profit for the year**

Elo's profit for the financial year is determined in accordance with calculation principles sought by Elo and approved in advance by the Ministry of Social Affairs and Health.

### **Key indicators and analysis**

The key performance indicators and analyses have been calculated and presented in accordance with the Financial Supervisory Authority's regulations on notes to the financial statements.

The definitions and calculation methods of the most important indicators are presented in the notes in the Guide to key figures.

# Profit and loss account

<b>EUR 1,000</b>	<b>Parent company 2017</b>	<b>Parent company 2016</b>	<b>Group 2017</b>	<b>Group 2016</b>
<b>Technical account</b>				
Premiums written	3,510,803	3,321,483	3,510,803	3,321,483
Investment income	3,203,739	2,388,531	3,251,580	2,423,986
Claims incurred				
Claims paid	-3,474,133	-3,339,424	-3,474,133	-3,339,424
Change in provision for claims outstanding				
Total change	-194,155	-640,801	-194,155	-640,801
Transfer of liability	1,722		1,722	
Change in premium reserve				
Total change	-1,412,928	-36,915	-1,412,928	-36,915
Transfer of liability	6,777		6,777	
Operating expenses	-78,796	-77,091	-78,796	-77,091
Investment management expenses	-1,556,637	-1,611,283	-1,595,423	-1,638,381
<b>Balance on technical account</b>	<b>6,392</b>	<b>4,500</b>	<b>15,446</b>	<b>12,857</b>
<b>Non-technical account</b>				
Other result	688	887	247	466
Other expenses				
Goodwill amortisation			-108	-108
Other	-12		-12	
Share of the profit/loss of associate companies			2,874	895
Accumulated appropriations				
Change in depreciation difference	-63	-20		
Income taxes				
Taxes from this and earlier financial years	-7,000	-5,361	-7,891	-6,588
Deferred taxes			-89	51
<b>Profit (loss) from ordinary activities</b>	<b>5</b>	<b>5</b>	<b>10,466</b>	<b>7,572</b>
Minority interest as part of the profit for the financial year			533	-1,655
<b>Profit for the accounting period</b>	<b>5</b>	<b>5</b>	<b>10,999</b>	<b>5,917</b>

# Balance sheet

EUR 1,000	Parent company 2017	Parent company 2016	Group 2017	Group 2016
<b>ASSETS</b>				
<b>Intangible assets</b>				
Intangible rights	4,767	7,479	4,830	7,542
Goodwill			865	973
Other long-term expenses	14,098	17,308	14,098	17,308
Projects in progress	143	1,425	143	1,425
Provisional premiums	1,857	1,169	1,857	1,169
	20,865	27,381	21,793	28,418
<b>Investments</b>				
Real estate investments				
Real estate investments	702,459	717,250	1,395,848	1,493,106
Loan receivables from Group companies	504,466	581,913		
Loans to real estate companies			59,397	64,234
	1,206,925	1,299,163	1,455,245	1,557,340
Investments in Group companies and participating interests				
Shares and holdings in Group companies	74,877	75,653		
Shares and holdings in participating interests	4,756	4,835	19,718	17,718
Loan receivables from Group companies	101,578	119,742		
	181,211	200,230	19,718	17,718
Other investments				
Shares and holdings	12,216,635	10,832,840	12,224,807	10,840,176
Financial market instruments	4,667,142	4,969,669	4,667,142	4,969,669
Loans guaranteed by mortgages	154,977	132,476	154,977	132,476
Other loans	376,747	311,014	376,747	311,014
Other investments			2,117	2,115
	17,415,500	16,246,000	17,425,790	16,255,449
	18,803,637	17,745,393	18,900,752	17,830,507
<b>Debtors</b>				
Arising out of direct insurance operations				
Policyholders	326,220	273,775	326,220	273,775
Other debtors				
Other debtors	442,412	363,512	413,934	331,988
Deferred tax assets			2,444	2,622
	768,631	637,287	742,598	608,386
<b>Other assets</b>				
Tangible assets				
Machinery and equipment	4,097	4,305	4,097	4,305
Other tangible assets	380	380	380	380
	4,477	4,685	4,477	4,685
Cash at bank and in hand	818,507	371,981	840,307	399,734
	822,984	376,666	844,784	404,418
<b>Prepayments and accrued income</b>				
Accrued interest and rent	54,366	57,700	53,896	57,340
Other prepayments and accrued income	32,912	22,872	35,088	24,162
	87,278	80,571	88,985	81,502
<b>Total assets</b>	20,503,395	18,867,299	20,598,912	18,953,231

## Financial Statements

<b>EUR 1,000</b>	<b>Parent company 2017</b>	<b>Parent company 2016</b>	<b>Group 2017</b>	<b>Group 2016</b>
<b>LIABILITIES</b>				
<b>Capital and reserves</b>				
Initial fund	6,694	6,694	6,694	6,694
Guarantee fund			88	86
Loan amortisation reserve			84	84
Revaluation reserve			185	185
Other reserves	92,802	92,798	93,030	93,026
Profit (loss) brought forward	1,842	1,842	-8,546	-14,475
Profit for the accounting period	5	5	10,999	5,917
	101,343	101,338	102,534	91,516
<b>Minority interest</b>			55,734	61,085
<b>Accrued appropriations</b>				
Depreciation difference	811	748		
<b>Group reserve</b>			300	414
<b>Technical provisions</b>				
Premium reserve	11,303,849	9,890,920	11,303,849	9,890,920
Provision for claims outstanding	8,830,605	8,636,449	8,830,605	8,636,449
	20,134,453	18,527,370	20,134,453	18,527,370
<b>Mandatory provisions</b>			2,179	3,582
<b>Creditors</b>				
Arising out of direct insurance operations	15,115	16,047	15,115	16,047
Deferred tax liabilities			11,326	11,183
Other liabilities	171,779	134,187	194,612	147,393
	186,894	150,233	221,052	174,623
<b>Accruals and deferred income</b>	79,894	87,610	82,659	94,642
<b>Total liabilities</b>	20,503,395	18,867,299	20,598,912	18 953 231



# Cash flow statement

<b>EUR 1,000</b>	<b>Parent company 2017</b>	<b>Parent company 2016</b>	<b>Group 2017</b>	<b>Group 2016</b>
<b>Cash flow from operating activities</b>				
Profit (loss) from ordinary activities	6,392	4,500	15,446	12,857
Adjustments				
Changes in technical provisions	1,607,084	677,716	1,607,084	677,716
Value adjustments and revaluation of investments	291,966	50,550	291,966	50,550
Depreciation according to plan	9,499	9,481	50,996	45,882
Sales gains and losses	-811,767	-533,676	-823,932	-535,245
Cash flow before change in working capital	1,103,174	208,570	1,141,560	251,759
Change in working capital:				
Non-interest-bearing short-term receivables increase(-)/decrease(+)	-138,051	-68,326	-141,874	-40,979
Non-interest-bearing short-term debt increase(+)/decrease(-)	28,945	-110,723	32,901	-94,193
Cash flow from operations before financial items and taxes	994,068	29,521	1,032,587	116,587
Direct taxes paid	-7,000	-5,361	-7,891	-6,588
Cash flow from other business items	676	887	236	358
Cash flow from operating activities	987,744	25,046	1,024,932	110,356
<b>Cash flow from investing activities</b>				
Investment in assets	-538,443	-107,137	-540,195	-147,916
Investments in tangible and intangible assets as well as other assets and capital gains	-2,775	-5,764	-44,164	-43,138
Cash flow from investing activities	-541,218	-112,901	-584,359	-191,054
<b>Change in cash and cash equivalents</b>	446,526	-87,855	440,573	-80,698
<b>Cash and cash equivalents at the start of the year</b>	371,981	459,836	399,734	480,431
<b>Cash and cash equivalents at the end of the year</b>	818,507	371,981	840,307	399,734

# Notes to the profit and loss account

EUR 1,000	Parent company 2017	Parent company 2016	Group 2017	Group 2016
<b>PREMIUMS WRITTEN</b>				
Direct insurance				
TyEL pension insurance				
Employers' contribution	2,266,215	2,168,678	2,266,215	2,168,678
Employees' contribution	820,850	728,870	820,850	728,870
	3,087,065	2,897,548	3,087,065	2,897,548
Supplementary TEL insurance				
YEL minimum coverage insurance	10	1,359	10	1,359
	423,728	422,575	423,728	422,575
Premiums written	3,510,803	3,321,483	3,510,803	3,321,483
Items deducted from premiums written				
Credit losses on insurance premiums				
TyEL / TEL supplementary insurance	18,167	17,995	18,167	17,995
YEL	5,049	4,048	5,049	4,048
	23,216	22,043	23,216	22,043
<b>CLAIMS PAID</b>				
Direct insurance				
Paid to pensioners				
TyEL basic insurance	2,711,999	2,580,324	2,711,999	2,580,324
Supplementary TEL insurance	30,045	30,531	30,045	30,531
YEL minimum coverage insurance	390,802	369,466	390,802	369,466
YEL supplementary pension cover	1,705	1,728	1,705	1,728
	3,134,552	2,982,049	3,134,552	2,982,049
Paid/refunded division of cost compensations				
TyEL pensions	429,901	438,487	429,901	438,487
YEL pensions	81,538	25,001	81,538	25,001
Proportion of the insurance premiums of the Unemployment Insurance Fund and the division of costs for pension elements accrued on the basis of unsalaried periods	-126,083	-134,285	-126,083	-134,285
Government contribution of YEL	-74,967	-74,967	-74,967	-74,967
Compensation under the Act for parents receiving child home care allowance to care for a child aged less than 3 years at home and for students for periods of study (VEKL)	-783	-600	-783	-600
	309,606	328,604	309,606	328,604
	3,444,158	3,310,652	3,444,158	3,310,652
Claims administration costs				
Costs from disability risk management	27,868	26,172	27,868	26,172
	2,107	2,600	2,107	2,600
Total claims paid	3,474,133	3,339,424	3,474,133	3,339,424

## Financial Statements

<b>EUR 1,000</b>	<b>Parent company 2017</b>	<b>Parent company 2016</b>	<b>Group 2017</b>	<b>Group 2016</b>
<b>NET INVESTMENT INCOME</b>				
<b>Investment income</b>				
Income from investments in Group companies				
Interest income	2,642	2,945		
	2,642	2,945		
Income from investments in participating interests				
Dividend income	878	114	-878	-114
	878	114	-878	-114
Income from real estate investments				
Interest income				
From Group companies	10,184	12,111		
Others	478	526	775	526
Other income				
Others	137,277	149,740	185,498	197,494
	147,938	162,377	186,273	198,019
Income from other investments				
Dividend income	351,138	256,000	351,965	245,788
Interest income	127,109	130,534	127,367	141,613
Other income	1,537,394	909,650	1,537,474	909,690
	2,015,640	1,296,185	2,016,806	1,297,091
Total	2,167,098	1,461,621	2,202,201	1,494,996
Value readjustments	103,328	119,598	103,328	119,598
Gains on realisation	933,313	807,312	946,051	809,392
Total	3,203,739	2,388,531	3,251,580	2,423,986
<b>Investment management expenses</b>				
Costs on real estate investments	-80,938	-87,716	-77,748	-78,221
Costs on other investments	-816,424	-992,422	-816,438	-992,454
Interest costs and expenses on other liabilities	-142,434	-87,361	-142,435	-87,261
	-1,039,796	-1,167,500	-1,036,621	-1,157,936
Value adjustments and depreciation				
Value adjustments	-392,924	-167,662	-395,519	-169,898
Planned depreciation on buildings	-2,371	-2,486	-41,164	-36,400
	-395,294	-170,148	-436,683	-206,298
Losses on realisation	-121,546	-273,636	-122,119	-274,147
Total	-1,556,637	-1,611,283	-1,595,423	-1,638,381
<b>Net investment income before revaluations and their adjustments</b>	<b>1,647,103</b>	<b>777,248</b>	<b>1,656,156</b>	<b>785,605</b>
<b>Net investment income in the profit and loss account</b>	<b>1,647,103</b>	<b>777,248</b>	<b>1,656,156</b>	<b>785,605</b>

## Financial Statements

<b>EUR 1,000</b>	<b>Parent company 2017</b>	<b>Parent company 2016</b>	<b>Group 2017</b>	<b>Group 2016</b>
<b>PROFIT AND LOSS ACCOUNT ITEM OPERATING EXPENSES</b>				
Insurance policy acquisition costs				
Direct insurance remunerations	10,427	9,043	10,427	9,043
Other insurance policy acquisition costs	10,346	10,808	10,346	10,808
	20,773	19,852	20,773	19,852
Insurance management costs	38,400	38,699	38,400	38,699
Administration costs				
Statutory charges				
The Finnish Centre for Pensions' share of costs	6,808	6,719	6,808	6,719
Judicial administration charge	770	645	770	645
Supervisory fee of the Financial Supervisory Authority	424	334	424	334
	8,002	7,698	8,002	7,698
Other administration costs	11,622	10,842	11,622	10,842
Total	78,796	77,091	78,796	77,091
<b>TOTAL OPERATING EXPENSES BY OPERATION</b>				
Claims paid				
Claims administration costs	27,868	26,172	27,868	26,172
Costs from disability risk management	2,107	2,600	2,107	2,600
	29,975	28,772	29,975	28,772
Operating expenses	78,796	77,091	78,796	77,091
Investment management expenses				
Costs on real estate investments	4,981	4,588	7,178	6,740
Costs on other investments	20,800	19,430	20,800	19,430
	25,781	24,018	27,978	26,170
Other expenses	12		12	
Operating expenses, total	134,564	129,881	136,761	132,033

<b>EUR 1,000</b>	<b>Parent company 2017</b>	<b>Parent company 2016</b>	<b>Group 2017</b>	<b>Group 2016</b>
<b>NOTES CONCERNING PERSONNEL AND MEMBERS OF THE OPERATIONAL ELEMENTS</b>				
<b>Personnel expenses</b>				
Salaries and bonuses	30,280	30,310	30,280	30,304
Pension expenses	5,395	5,523	5,395	5,522
Other social security expenses	1,356	2,094	1,356	2,094
<b>Total</b>	<b>37,031</b>	<b>37,927</b>	<b>37,031</b>	<b>37,920</b>
<b>Salaries and bonuses</b>				
Chief Executive Officer	750	704	750	737
Members and deputy members of the Board of Directors	360	420	365	421
Supervisory Board	69	80	69	80
<b>Total</b>	<b>1,180</b>	<b>1,203</b>	<b>1,184</b>	<b>1,238</b>
<p>The salary and benefits paid to CEO Satu Huber totalled EUR 502,486.09.</p> <p>The Chief Executive Officer is entitled to retire at the age of 64. The Chief Executive Officer has supplementary pension insurance inherited from Elo's predecessor company with an annual pension accrual of 0.2 per cent. The cost of the supplementary pension insurance for 2017 was EUR 25,900.82.</p> <p>No pension commitments, money loans or guarantees have been given to members of the Supervisory Board and the Board of Directors.</p>				
<b>Average number of personnel during the financial year</b>	<b>462</b>	<b>451</b>	<b>462</b>	<b>451</b>
<b>Fees paid to the auditors</b>				
Fees paid to Ernst & Young Oy				
Audit	253	181	298	226
Tax consultation	82	46	82	46
Other services	29	72	29	75

# Notes to the balance sheet

EUR 1,000	Remaining acquisition cost 2017	Book value 2017	Current value 2017	Remaining acquisition cost 2016	Book value 2016	Current value 2016
<b>INVESTMENTS AT CURRENT VALUE AND VALUATION DIFFERENCES, PARENT COMPANY</b>						
Real estate investments						
Real estate	53,961	53,961	70,799	54,411	54,411	69,261
Real estate shares in Group companies	501,258	508,874	881,027	502,108	514,654	867,238
Other real estate shares	136,765	139,624	317,818	145,326	148,185	324,866
Loan receivables from Group companies	504,466	504,466	504,466	581,913	581,913	581,913
Investments in Group companies						
Shares and holdings	74,877	74,877	179,776	75,653	75,653	156,201
Loan receivables from Group companies	101,578	101,578	101,578	119,742	119,742	119,742
Investments in participating interests						
Shares and holdings	4,756	4,756	6,696	4,835	4,835	6,776
Other investments						
Shares and holdings	12,216,635	12,216,635	14,632,608	10,832,840	10,832,840	13,226,231
Financial market instruments	4,667,142	4,667,142	4,747,792	4,969,669	4,969,669	5,164,758
Loans guaranteed by mortgages	154,977	154,977	154,977	132,476	132,476	132,476
Other loans	376,747	376,747	376,747	311,014	311,014	311,014
	18,793,162	18,803,637	21,974,283	17,729,988	17,745,393	20,960,477
The remaining acquisition cost of financial market instruments includes:						
The difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-33,216			-35,448		
The book value comprises						
Revaluations released as income	10,475			15,405		
Valuation difference (difference between current value and book value)			3,170,647			3,215,083
Valuation difference of non-hedging derivatives			94,763			82,868



## Financial Statements

<b>EUR 1,000</b>	<b>Remaining acquisition cost 2017</b>	<b>Book value 2017</b>	<b>Current value 2017</b>	<b>Remaining acquisition cost 2016</b>	<b>Book value 2016</b>	<b>Current value 2016</b>
<b>INVESTMENTS AT CURRENT VALUE AND VALUATION DIFFERENCES, GROUP</b>						
Real estate investments						
Real estate	1,210,758	1,218,374	1,649,818	1,291,431	1,303,977	1,699,239
Real estate shares in participating interests				209	209	209
Other real estate shares	174,615	177,474	355,668	186,061	188,920	365,602
Receivables from real estate companies	59,397	59,397	59,397	64,234	64,234	64,234
Investments in participating interests						
Shares and holdings	19,718	19,718	21,658	17,718	17,718	19,659
Other investments						
Shares and holdings	12,224,807	12,224,807	14,640,781	10,840,176	10,840,176	13,233,567
Financial market instruments	4,667,142	4,667,142	4,747,792	4,969,669	4,969,669	5,164,758
Loans guaranteed by mortgages	154,977	154,977	154,977	132,476	132,476	132,476
Other loans	376,747	376,747	376,747	311,014	311,014	311,014
Other investments	2,117	2,117	2,117	2,115	2,115	2,115
	18,890,277	18,900,752	22,008,954	17,815,102	17,830,507	20,992,871
The remaining acquisition cost of financial market instruments includes:						
The difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-33,216			-35,448		
The book value comprises						
Revaluations released as income	10,475			15,405		
Valuation difference (difference between current value and book value)			3,108 202			3,162 364
Valuation difference of non-hedging derivatives			94,763			82,868

## Financial Statements

<b>EUR 1,000</b>	<b>Parent company 2017</b>	<b>Parent company 2016</b>	<b>Group 2017</b>	<b>Group 2016</b>
<b>DERIVATIVES</b>				
<b>Non-hedging derivatives</b>				
Other debtors				
Derivatives, book value	63,937	48,358	63,937	48,358
Other liabilities				
Derivatives, book value	78,670	62,643	78,670	62,643
Derivatives, changes in value	19,233	29,221	19,233	29,221
Other prepayments and accrued income				
Derivatives	905	95	905	95
Other accruals and deferred income				
Derivatives	-18,739	-48,880	-18,739	-48,880

## Financial Statements

<b>EUR 1,000</b>	<b>Parent company Real estate and real estate shares 2017</b>	<b>Parent company Loans receivables from Group companies 2017</b>	<b>Group Real estate and real estate shares 2017</b>	<b>Group Loans receivables from real estate companies 2017</b>
<b>REAL ESTATE INVESTMENTS</b>				
<b>Changes in real estate investments</b>				
Acquisition cost, 1 Jan	866,141	581,913	2,006,838	64,234
Increase	57,672	63,893	114,270	
Decrease	-85,857	-141,340	-246,922	
Transfers between items	-5,938		-9,616	-4,837
Acquisition cost, 31 Dec	832,018	504,466	1,864,570	59,397
Accumulated depreciations on 1 Jan	-17,222		-388,500	
Accumulated depreciation related to deductions and transfers	2,123		70,210	
Depreciation for the financial year	-2,371		-37,472	
Transfers between items	-5,095		-5,095	
Accumulated depreciations on 31 Dec	-22,564		-360,857	
Value adjustments, 1 Jan	-148,260		-150,936	
Value adjustments of deductions and transfers			18,596	
Value adjustments during financial year	-6,076		-12,142	
Value readjustments	19,717		5,818	
Transfers between items	17,149		5,095	
Value adjustments, 31 Dec	-117,470		-133,568	
Revaluations, 1 Jan	16,591		25,703	
Transfers between items	-6,116			
Revaluations, 31 Dec	10,475		25,703	
Book value on 31 Dec	702,459	504,466	1,395,848	59,397
<b>EUR 1,000</b>	<b>Parent company 2017</b>		<b>Group 2017</b>	
<b>REAL ESTATE AND SHARES IN REAL ESTATE OCCUPIED FOR OWN ACTIVITIES</b>				
Remaining acquisition cost	15,458		15,458	
Book value	15,458		15,458	
Current value	15,812		15,812	

<b>EUR 1,000</b>	<b>Parent company 2017</b>
<b>SHARES AND HOLDINGS IN GROUP COMPANIES, PARENT COMPANY</b>	
<b>Shares and holdings</b>	
Acquisition cost, 1 Jan	75,653
Decrease	-775
Acquisition cost, 31 Dec	74,877

<b>EUR 1,000</b>	<b>Parent company 2017</b>	<b>Group 2017</b>
<b>SHARES AND HOLDINGS IN PARTICIPATING INTERESTS</b>		
<b>Shares and holdings</b>		
Acquisition cost, 1 Jan	4,835	17,718
Increase	4	2,000
Decrease	-83	
Acquisition cost, 31 Dec	4,756	19,718

EUR 1,000

Name	Domicile	Holding
<b>SHARES AND HOLDINGS IN PARTICIPATING INTERESTS, PARENT COMPANY</b>		
<b>Shares and holdings</b>		
Probus Holding Oy	Helsinki	79,47 %
Tammi-kodit GP Oy	Espoo	100,00 %
Tammi-Kodit Ky	Espoo	100,00 %
<b>SHARES AND HOLDINGS IN PARTICIPATING INTERESTS, PARENT COMPANY</b>		
<b>Shares and holdings</b>		
Amplus Holding Oy	Helsinki	49,12 %
Avara Oy	Helsinki	49,12 %
Exilion Capital Oy	Helsinki	49,00 %
Agore Kiinteistöt GP Oy	Helsinki	49,89 %
Exilion Asemahotellit GP Oy	Helsinki	40,00 %
Vierumäki Hotelli GP Oy	Helsinki	50,00 %
Suomen Metsäsijoitus Oy	Espoo	25,00 %
Tyvene Oy	Helsinki	40,00 %
Vakuutusneuvonta Aura Oy	Espoo	33,33 %
Vakuutusneuvonta Pohja Oy	Espoo	33,33 %
<b>SHARES AND HOLDINGS IN PARTICIPATING INTERESTS, GROUP</b>		
<b>Shares and holdings</b>		
Amplus Holding Oy	Helsinki	49,12 %
Avara Oy	Helsinki	49,12 %
Exilion Capital Oy	Helsinki	49,00 %
Agore Kiinteistöt GP Oy	Helsinki	49,89 %
Exilion Asemahotellit GP Oy	Helsinki	40,00 %
Vierumäki Hotelli GP Oy	Helsinki	50,00 %
Suomen Metsäsijoitus Oy	Espoo	25,00 %
Tyvene Oy	Helsinki	40,00 %
Vakuutusneuvonta Aura Oy	Espoo	33,33 %
Vakuutusneuvonta Pohja Oy	Espoo	33,33 %

## Financial Statements

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2017	Market value 31 Dec 2017	Country of domicile
<b>OTHER INVESTMENTS, PARENT COMPANY</b>				
<b>Finnish and foreign unlisted shares and holdings</b>				
3Step IT Group Oy	17.64	6,199	19,311	Finland
Aina Group Oyj A	14.89	2,244	2,244	Finland
CAP-Group Oy	17.96	3,556	3,556	Finland
Fingrid Oyj	4.51	34	250	Finland
Futurice Oy	19.02	4,916	6,049	Finland
Keskinainen Vakuutusyhtio Turva	6.63	702	702	Finland
Keski-Pohjanmaan Kirjapaino A	3.31	306	417	Finland
Kotkamills Group Oy A	9.58	1,307	1,307	Finland
Liguirix Topco Holding Oy	19.95	911	9,839	Finland
Midinvest Oy	7.93	635	635	Finland
Oy Wedeco Ab	8.89	956	2,025	Finland
Rederiaktiebolaget Eckero	0.64	248	578	Finland
Sato Oyj	12.89	52,760	148,416	Finland
S-Pankki Oyj	1.50	5,832	5,832	Finland
Suomi Power Networks TopCo B.V.	7.50	12,878	57,547	Netherlands
TA-Yhtymä Oy B	14.53	566	566	Finland
Teknikum-Yhtiot Oy	19.60	2,470	2,470	Finland
Other Finnish and foreign unlisted shares and holdings		302	306	
<b>Finnish and foreign unlisted shares and holdings total</b>		<b>96,821</b>	<b>262,048</b>	
<b>Finnish listed shares and holdings</b>				
Alma Media Oyj	2.25	5,443	13,322	Finland
Amer Sports Oyj	2.28	27,612	62,343	Finland
Asiakastieto Group Oyj	2.72	5,951	9,812	Finland
Aspo Oyj	0.19	419	600	Finland
Atria PLC	0.66	1,479	1,529	Finland
Bittium Oyj	1.40	901	2,825	Finland
Caverion Corp	1.28	8,995	9,489	Finland
Citycon Oyj	0.11	2,104	2,158	Finland
Componenta Oyj	5.02	1,282	1,282	Finland
DNA Oy	1.66	22,220	34,430	Finland
Elisa Oyj	0.29	7,491	16,131	Finland
Fit Biotech Oy	0.38	13	13	Finland
Fortum Oyj	0.45	60,035	66,000	Finland
F-Secure Oyj	4.24	13,304	26,164	Finland
Gofore Oyj	0.94	770	851	Finland



## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Heeros Oyj	7.47	809	809	Finland
HKScan Oyj	2.30	3,577	3,577	Finland
Ilkka-Yhtymä Oyj	4.19	1,754	1,754	Finland
Ixonos PLC	0.36	106	106	Finland
Kamux Corp	6.72	19,583	19,583	Finland
Kesko Oyj	0.73	10,752	22,625	Finland
Kone Oyj	0.51	57,298	102,994	Finland
Konecranes Oyj	0.46	12,587	13,835	Finland
Kotipizza Oyj	8.08	3,212	7,159	Finland
Lassila & Tikanoja Oyj	3.17	15,170	22,197	Finland
Lehto Group Oyj	0.72	3,562	5,282	Finland
Lemminkäinen Oyj	0.25	1,237	1,351	Finland
Metso Oyj	1.33	56,653	56,940	Finland
Metsä Board Oyj	1.10	18,790	25,008	Finland
Neste Oil Oyj	0.29	10,472	40,013	Finland
Nokia Oyj	0.40	90,730	90,730	Finland
Orion Oyj	1.75	32,533	40,470	Finland
Outokumpu Oyj	0.84	19,240	27,090	Finland
Pihlajalinna Oyj	6.15	16,904	16,904	Finland
Poyry Oyj	3.73	11,190	11,190	Finland
Raisio PLC	1.81	7,615	9,201	Finland
Rapala VMC Oyj	0.40	516	516	Finland
Restamax Oyj	1.63	1,249	2,327	Finland
Robit Oyj	7.46	10,181	10,181	Finland
Rovio Entertainment Oy	1.52	10,836	10,836	Finland
Sampo	0.38	63,682	97,554	Finland
Siili Solutions Oyj	9.93	5,139	7,687	Finland
Silmaasema Oyj	4.42	4,171	4,171	Finland
Solteq Oyj	10.71	2,200	3,040	Finland
Soprano Oyj	9.76	816	816	Finland
SSH Communications Security Oyj	3.90	2,655	2,655	Finland
Suominen Oyj	5.19	12,358	13,369	Finland
Terveystalo Oy	4.00	45,569	45,569	Finland
Tieto Oyj	1.13	19,436	21,788	Finland
Tokmanni Group Corp	8.07	34,438	34,438	Finland
Tulikivi Oyj	9.03	882	882	Finland
UPM-Kymmene Oyj	0.76	46,357	105,454	Finland
Uutechnic Group Oyj	0.05	11	11	Finland
Valmet Corp	2.81	43,983	69,212	Finland

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Wartsila Oyj Abp	0.76	40,778	79,163	Finland
Vincit Group Oyj	5.84	3,420	4,548	Finland
Wulff-Group Oyj	5.30	578	578	Finland
YIT Oyj	1.58	21,247	21,247	Finland
<b>Finnish listed shares and holdings total</b>		<b>922,295</b>	<b>1,301,805</b>	
<b>Foreign listed equities</b>				
3i Group PLC	0.03	2,426	2,669	United Kingdom
888 Holdings PLC	0.20	2,265	2,318	Gibraltar
ABB Ltd	0.01	5,605	6,431	Switzerland
Abcam PLC	0.05	1,198	1,263	United Kingdom
Abertis Infraestructuras SA	0.02	3,145	3,788	Spain
ABN AMRO Group NV	0.01	1,239	1,515	Netherlands
Acacia Mining PLC	0.16	1,434	1,434	United Kingdom
Accor SA	0.01	976	1,056	France
Ackermans & van Haaren NV	0.04	1,928	2,161	Belgium
ACS Actividades de Construccion y Servicios SA	0.01	1,311	1,311	Spain
Adecco SA	0.02	2,542	2,545	Switzerland
Adidas AG	0.02	2,327	5,359	Germany
Advanced Accelerator Applications SA	0.04	1,257	1,257	France
Aegon NV	0.01	1,534	1,565	Netherlands
Aena SA	0.01	1,196	1,498	Spain
Ageas	0.03	2,305	2,405	Belgium
Air Liquide SA	0.01	5,134	6,084	France
Airtac International Group	0.15	2,991	4,310	Taiwan
Akorn Inc	0.08	2,540	2,540	United States
Akzo Nobel NV	0.01	1,979	2,408	Netherlands
Alfa Laval AB	0.01	971	1,081	Sweden
Alibaba Group Holding Ltd	0.00	4,982	6,671	China
Allianz SE	0.02	16,467	19,716	Germany
Alstom SA	0.01	812	1,012	France
Amadeus IT Holding SA	0.02	2,261	4,537	Spain
Amundi SA	0.01	1,384	1,401	France
Anglo American PLC	0.03	6,002	6,912	United Kingdom
Anheuser-Busch InBev NV	0.00	9,332	9,332	Belgium
AP Moller - Maersk A/S B	0.01	1,815	2,046	Denmark
APERAM	0.03	820	1,203	Luxembourg
Arcadis NV	0.07	915	1,091	Netherlands
ArcelorMittal	0.02	3,416	4,621	Luxembourg

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Arkema	0.04	2,907	3,237	France
Ashtead Group PLC	0.02	1,765	2,066	United Kingdom
ASML Holding NV	0.01	5,607	8,182	Netherlands
Assa Abloy AB	0.01	2,695	2,695	Sweden
Assicurazioni Generali SpA	0.02	4,700	4,874	Italy
Associated British Foods PLC	0.01	2,692	2,692	United Kingdom
AstraZeneca PLC	0.01	8,522	9,628	United Kingdom
Atlantia SpA	0.02	3,136	3,602	Italy
Atlas Copco AB	0.03	3,882	7,606	Sweden
Atos Origin SA	0.01	1,077	1,499	France
Attendo AB	2.98	26,067	42,886	Sweden
Austevoll Seafood ASA	0.08	1,119	1,119	Norway
Auto Trader Group PLC	0.04	1,578	1,578	United Kingdom
Avista Corp	0.09	2,493	2,493	United States
Aviva PLC	0.01	3,181	3,306	United Kingdom
AXA SA	0.02	8,971	11,207	France
Axel Springer AG	0.02	1,222	1,448	Germany
Axfood AB	0.07	2,114	2,299	Sweden
Ayala Land Inc	0.04	3,859	3,893	Philippines
Bajaj Finance Ltd	0.08	6,618	11,076	India
Banca IFIS SpA	0.05	1,036	1,121	Italy
Banco Bilbao Vizcaya Argentaria SA	0.02	10,798	11,405	Spain
Banco Comercial Portugues SA	0.03	861	1,072	Portugal
Banco de Sabadell SA	0.03	2,865	2,930	Spain
Banco Santander SA	0.02	18,771	20,325	Spain
Barclays PLC	0.01	5,370	5,370	United Kingdom
Barratt Developments PLC	0.06	3,696	4,468	United Kingdom
BASF SE	0.02	8,281	13,183	Germany
Bayer AG	0.01	11,370	11,370	Germany
Bayerische Motoren Werke AG	0.01	6,429	6,600	Germany
Bechtle AG	0.04	902	1,141	Germany
Beiersdorf AG	0.01	2,164	2,495	Germany
Bekaert SA	0.06	1,206	1,250	Belgium
Bellway PLC	0.07	2,637	3,365	United Kingdom
Berkeley Group Holdings PLC	0.09	4,575	5,666	United Kingdom
bet-at-home.com AG	0.17	1,244	1,244	Germany
Beter Bed Holding NV	0.37	1,070	1,070	Netherlands
Bharat Petroleum Corp Ltd	0.02	2,168	3,092	India
BHP Billiton PLC	0.01	4,734	4,828	United Kingdom

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Biesse SpA	0.10	1,068	1,194	Italy
BKW AG	0.08	1,918	2,179	Switzerland
BNP Paribas SA	0.02	13,135	16,382	France
Boliden AB	0.01	965	1,043	Sweden
Booker Group PLC	0.05	2,040	2,296	United Kingdom
Bossard Holding AG	0.09	876	1,139	Switzerland
Bouygues SA	0.01	1,309	1,622	France
Bovis Homes Group PLC	0.19	3,157	3,414	United Kingdom
BP PLC	0.01	14,139	15,476	United Kingdom
bpost SA	0.09	4,115	4,444	Belgium
Bravida Holding AB	0.18	2,050	2,050	Sweden
Brenntag AG	0.02	1,363	1,420	Germany
British Land Co PLC	0.02	1,062	1,252	United Kingdom
Britvic PLC	0.05	969	1,098	United Kingdom
BroadSoft Inc	0.16	2,378	2,378	United States
BT Group PLC	0.02	4,654	4,654	United Kingdom
Buffalo Wild Wings Inc	0.12	2,427	2,427	United States
Bunzl PLC	0.03	2,470	2,470	United Kingdom
Burberry Group PLC	0.03	2,243	2,412	United Kingdom
CaixaBank SA	0.02	3,977	4,137	Spain
Calpine Corp	0.06	2,631	2,631	United States
Capgemini SA	0.02	2,991	3,417	France
Card Factory PLC	0.15	1,741	1,759	United Kingdom
Carlsberg A/S	0.02	2,270	2,485	Denmark
Carnival PLC	0.02	1,390	1,556	United Kingdom
Carrefour SA	0.01	1,429	1,429	France
CECONOMY AG	0.03	999	1,260	Germany
Cembra Money Bank AG	0.04	1,023	1,023	Switzerland
Centamin PLC	0.07	1,355	1,383	Jersey
Centrica PLC	0.03	2,217	2,217	United Kingdom
Christian Dior SA	0.01	2,865	3,225	France
Christian Hansen Holding A/S	0.01	732	1,029	Denmark
Cia de Distribucion Integral Logista Holdings SA	0.04	1,021	1,021	Spain
CIE Automotive SA	0.07	1,361	2,135	Spain
Cie de Saint-Gobain	0.01	3,350	3,447	France
Cineworld Group PLC	0.06	1,124	1,124	United Kingdom
Clas Ohlson AB	0.27	1,855	1,855	Sweden
CNH Industrial NV	0.01	1,570	1,936	United Kingdom

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Coats Group PLC	0.16	1,989	2,278	United Kingdom
Coloplast A/S	0.02	2,307	2,307	Denmark
Colruyt SA	0.02	1,597	1,597	Belgium
Commerzbank AG	0.03	3,042	3,944	Germany
Compagnie Financiere Richemont SA	0.01	4,304	5,223	Switzerland
Compagnie Generale des Etablissements Michelin	0.01	2,258	2,682	France
Compass Group PLC	0.01	3,663	3,751	United Kingdom
Computacenter PLC	0.07	974	1,108	United Kingdom
Continental AG	0.01	5,476	6,580	Germany
Covestro AG	0.03	3,069	4,842	Germany
CR Bard Inc	0.01	2,495	2,495	United States
Credit Agricole SA	0.01	4,271	4,448	France
Credit Suisse Group AG	0.01	4,121	4,857	Switzerland
Crest Nicholson Holdings plc	0.08	1,254	1,254	United Kingdom
CRH PLC	0.01	3,299	3,299	Ireland
Crompton Greaves Consumer Electricals Ltd	0.26	5,413	5,868	India
CropEnergies AG	0.16	1,054	1,054	Germany
CSPC Pharmaceutical Group Ltd	0.06	5,439	6,122	China
CTS Eventim AG & Co KGaA	0.03	1,161	1,225	Germany
CTT-Correios de Portugal SA	0.24	1,276	1,276	Portugal
Daimler AG	0.01	9,943	11,151	Germany
Dalmia Bharat Ltd	0.11	3,979	4,033	India
Danske Bank A/S	0.02	5,225	6,372	Denmark
Dassault Systemes	0.01	2,513	2,718	France
DCC PLC	0.03	2,349	2,616	Ireland
De' Longhi SpA	0.06	2,311	2,311	Italy
Deutsche Bank AG	0.01	4,379	4,499	Germany
Deutsche Boerse AG	0.01	2,087	2,569	Germany
Deutsche Lufthansa AG	0.03	1,820	4,510	Germany
Deutsche Pfandbriefbank AG	0.06	882	1,021	Germany
Deutsche Post AG	0.01	4,738	6,243	Germany
Deutsche Telekom AG	0.01	6,784	6,784	Germany
Deutsche Wohnen AG	0.01	1,350	1,709	Germany
Dfds A/S	0.05	1,199	1,211	Denmark
Diageo PLC	0.02	9,466	11,654	United Kingdom
Dialog Semiconductor PLC	0.07	1,359	1,359	Germany
DiaSorin SpA	0.03	1,099	1,187	Italy
Diploma PLC	0.11	1,606	1,764	United Kingdom

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Distribuidora Internacional de Alimentacion SA	0.04	1,205	1,205	Spain
Diwatts SA	0.01	6,006	6,668	France
Dixons Carphone PLC	0.05	1,379	1,412	United Kingdom
DnB NOR ASA	0.02	4,372	4,409	Norway
Domino's Pizza Group PLC	0.06	1,020	1,080	United Kingdom
dormakaba Holding AG	0.10	3,309	3,309	Switzerland
DS Smith PLC	0.03	2,048	2,048	United Kingdom
DSV A/S	0.01	1,094	1,656	Denmark
Dunelm Group PLC	0.20	3,095	3,132	United Kingdom
E.ON SE	0.01	2,064	2,729	Germany
EFG International AG	0.04	710	1,071	Switzerland
Ei Towers SpA	0.07	981	1,041	Italy
Eicher Motors Ltd	0.07	6,424	7,486	India
Eiffage SA	0.04	2,574	3,380	France
Electrocomponents PLC	0.07	2,333	2,336	United Kingdom
Electrolux AB	0.07	5,302	5,302	Sweden
Elis SA	0.04	2,124	2,224	France
EMS-Chemie Holding AG	0.01	1,805	1,805	Switzerland
Enagas SA	0.05	2,802	2,802	Spain
Endesa SA	0.01	1,941	1,941	Spain
Enel SpA	0.01	5,872	7,616	Italy
Engie SA	0.02	4,892	5,485	France
ENI SpA	0.01	4,560	4,774	Italy
Erste Bank der Oesterreichischen Sparkassen AG	0.02	3,135	3,436	Austria
Essilor International SA	0.01	2,835	3,175	France
Essity AB	0.01	1,683	1,919	Sweden
Eutelsat Communications	0.04	1,645	1,645	France
Evonik Industries AG	0.03	3,827	3,894	Germany
Evraz PLC	0.02	1,215	1,338	United Kingdom
Exor SpA	0.01	1,645	1,645	Italy
Experian Group Ltd	0.02	3,222	3,424	Ireland
Faurecia	0.03	2,411	2,897	France
Ferguson PLC	0.03	4,656	4,789	Switzerland
Ferrari NV	0.01	601	1,399	Italy
Ferrexpo PLC	0.07	1,020	1,410	Switzerland
Ferrovial SA	0.01	1,449	1,540	Spain
FF Group	0.16	2,002	2,002	Greece
Fiat Chrysler Automobiles NV	0.02	2,218	4,363	United Kingdom

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Fidessa Group PLC	0.09	904	1,046	United Kingdom
Fielmann AG	0.02	1,194	1,226	Germany
FinecoBank Banca Fineco SpA	0.02	865	1,007	Italy
Fingerprint Cards AB	0.45	2,221	2,221	Sweden
Fnac Darty SA	0.09	2,197	2,343	France
Forbo Holding AG	0.05	1,237	1,237	Switzerland
Fraport AG Frankfurt Airport Services Worldwide	0.03	1,690	2,731	Germany
Freenet AG	0.03	1,050	1,155	Germany
Fresenius Medical Care AG & Co KGaA	0.01	2,236	2,517	Germany
Fresenius SE & Co KGaA	0.01	5,790	5,790	Germany
Fuchs Petrolub AG	0.05	1,645	1,645	Germany
G4S PLC	0.05	2,164	2,164	United Kingdom
G5 Entertainment AB	0.56	1,293	1,594	Sweden
Galliford Try PLC	0.29	3,507	3,507	United Kingdom
Galp Energia SGPS SA	0.01	952	1,006	Portugal
Games Workshop Group PLC	0.12	579	1,171	United Kingdom
Gaztransport Et Technigaz SA	0.07	951	1,259	France
GEA Group AG	0.02	1,238	1,335	Germany
Geberit AG	0.02	2,161	2,161	Switzerland
Geely Automobile Holdings Ltd	0.03	3,071	8,284	China
General Cable Corp	0.18	2,264	2,264	United States
Genmab A/S	0.01	722	1,107	Denmark
Georg Fischer AG	0.05	1,691	2,175	Switzerland
Gestamp Automocion SA	0.03	1,197	1,197	Spain
Givaudan SA	0.02	3,107	3,420	Switzerland
Gjensidige Forsikring ASA	0.02	1,441	1,516	Norway
GlaxoSmithKline PLC	0.01	9,780	9,780	United Kingdom
Glencore International PLC	0.01	5,400	7,056	Switzerland
Godrej Consumer Products Ltd	0.07	5,386	6,499	India
Grafton Group PLC	0.10	2,198	2,248	Ireland
Greggs Plc	0.08	1,021	1,259	United Kingdom
Grieg Seafood ASA	0.13	1,029	1,103	Norway
Guangzhou Automobile Group Co Ltd	0.11	3,695	4,768	China
Halfords Group PLC	0.29	2,271	2,271	United Kingdom
Hargreaves Lansdown PLC	0.02	1,487	1,687	United Kingdom
Hays PLC	0.11	3,056	3,322	United Kingdom
HDFC Bank Ltd	0.02	11,509	13,742	India
HeidelbergCement AG	0.01	1,839	1,906	Germany



## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Heineken Holding NV	0.00	1,075	1,080	Netherlands
Heineken NV	0.01	5,040	6,125	Netherlands
Henkel AG & Co KGaA	0.03	4,551	5,003	Germany
Hennes & Mauritz AB	0.01	3,248	3,248	Sweden
Hera SpA	0.05	1,605	2,024	Italy
Hermes International	0.00	1,752	1,865	France
Hexagon AB	0.02	2,362	2,506	Sweden
Hill & Smith Holdings PLC	0.09	907	1,058	United Kingdom
Homeserve PLC	0.04	1,076	1,121	United Kingdom
Hon Hai Precision Industry Co Ltd	0.01	3,092	3,092	Taiwan
Howden Joinery Group PLC	0.07	2,181	2,389	United Kingdom
HSBC Holdings PLC	0.01	18,720	23,021	United Kingdom
Iberdrola SA	0.01	4,590	4,891	Spain
Inchcape Plc	0.03	1,145	1,195	United Kingdom
Indiabulls Housing Finance Ltd	0.06	4,289	4,289	India
Indivior PLC	0.04	1,001	1,289	United Kingdom
Indus Holding AG	0.12	1,783	1,783	Germany
IndusInd Bank Ltd	0.10	11,795	12,592	India
Industria de Diseno Textil SA	0.01	5,353	5,353	Spain
Industrivarden AB	0.01	1,200	1,200	Sweden
Indutrade AB	0.04	1,011	1,092	Sweden
Inficon Holding AG	0.10	1,123	1,247	Switzerland
Infineon Technologies AG	0.02	3,231	4,425	Germany
Informa PLC	0.02	1,036	1,036	Switzerland
ING Groep NV	0.02	11,369	14,370	Netherlands
Ingenico	0.03	1,662	1,797	France
Inmarsat PLC	0.05	1,203	1,203	United Kingdom
Inner Mongolia Yili Industrial Group Co Ltd	0.01	3,533	3,605	China
Innogy SE	0.01	2,441	2,441	Germany
Intercontinental Hotels Group PLC	0.02	2,069	2,390	United Kingdom
International Consolidated Airlines Group SA	0.01	1,871	2,240	United Kingdom
Interpump Group SpA	0.11	2,059	3,096	Italy
Intertek Group PLC	0.01	819	1,398	United Kingdom
Intesa Sanpaolo SpA	0.02	8,514	9,668	Italy
Intrum Justitia AB	0.11	4,598	4,598	Sweden
Investec PLC	0.03	1,387	1,387	United Kingdom
Investor AB	0.01	2,217	2,313	Sweden
Ipsen SA	0.02	1,677	1,677	France

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
IPSOS	0.12	1,643	1,643	France
Iren SpA	0.06	1,248	2,028	Italy
ITV PLC	0.03	2,210	2,210	United Kingdom
J D Wetherspoon PLC	0.15	1,592	2,193	United Kingdom
J Sainsbury PLC	0.03	1,778	1,778	United Kingdom
JD Sports Fashion PLC	0.12	4,565	4,565	United Kingdom
Jeronimo Martins SGPS SA	0.02	1,795	1,795	Portugal
JM AB	0.28	3,746	3,746	Sweden
Julius Baer Holding AG	0.03	3,276	3,560	Switzerland
Jyske Bank A/S	0.03	1,075	1,084	Denmark
KappAhl AB	0.34	1,188	1,188	Sweden
Kazakhmys PLC	0.06	2,384	2,705	United Kingdom
KB Financial Group Inc	0.02	3,093	3,468	Republic of Korea
KBC Groep NV	0.02	4,698	4,973	Belgium
Kering	0.01	2,202	3,902	France
Kerry Group PLC	0.01	1,460	1,964	Ireland
Kindred Group PLC	0.12	3,272	3,417	Malta
Kingfisher PLC	0.04	3,458	3,543	United Kingdom
Klepierre	0.01	1,141	1,175	France
Koenig & Bauer AG	0.12	1,229	1,266	Germany
Koninklijke Ahold NV	0.01	3,106	3,106	Netherlands
Koninklijke DSM NV	0.01	1,406	1,977	Netherlands
KONINKLIJKE KPN NV	0.01	1,308	1,401	Netherlands
Koninklijke Philips NV	0.01	3,487	3,942	Netherlands
Krones AG	0.04	1,226	1,318	Germany
Kuehne + Nagel International AG	0.01	2,125	2,300	Switzerland
Kweichow Moutai Co Ltd	0.00	3,800	4,103	China
LafargeHolcim Ltd	0.01	2,847	2,847	Switzerland
Land Securities Group PLC	0.01	1,152	1,177	United Kingdom
Legal & General Group PLC	0.03	4,463	4,764	United Kingdom
Legrand SA	0.02	3,283	3,813	France
Lenzing AG	0.05	1,289	1,289	Austria
Leoni AG	0.11	2,181	2,221	Germany
LeoVegas AB	0.14	916	1,187	Sweden
Leroy Seafood Group ASA	0.04	1,029	1,104	Norway
LG Chem Ltd	0.02	4,842	4,842	Republic of Korea
LG Innotek Co Ltd	0.08	2,251	2,251	Republic of Korea
Lifco AB	0.13	3,208	3,252	Sweden

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Linde AG	0.01	3,651	4,664	Germany
Lindt & Spruengli AG	0.03	1,490	1,490	Switzerland
Lloyds Banking Group PLC	0.02	11,720	13,066	United Kingdom
Logitech International SA	0.02	1,217	1,217	Switzerland
London Stock Exchange Group PLC	0.01	1,358	1,766	United Kingdom
Lonza Group AG	0.01	1,733	2,233	Switzerland
Loomis AB	0.13	3,204	3,215	Sweden
L'Oreal SA	0.01	2,899	7,367	France
Luxottica Group SpA	0.01	2,362	2,368	Italy
LVMH Moet Hennessy Louis Vuitton SA	0.01	9,063	12,477	France
M6-Metropole Television	0.17	4,128	4,492	France
Maire Tecnimont SpA	0.23	3,087	3,087	Italy
Marks & Spencer Group PLC	0.03	1,930	1,930	United Kingdom
Maruti Suzuki India Ltd	0.03	7,759	9,945	India
Mediaset Espana Comunicacion SA	0.04	1,127	1,127	Spain
Mediobanca SpA	0.03	2,068	2,237	Italy
Meggitt PLC	0.05	2,009	2,009	United Kingdom
Melexis NV	0.04	1,162	1,243	Belgium
Merck KGAA	0.01	1,519	1,519	Germany
Metro Bank PLC	0.03	1,041	1,066	United Kingdom
Metro Wholesale & Food Specialist AG	0.03	1,555	1,555	Germany
Micro Focus International PLC	0.02	2,656	2,712	United Kingdom
Minh Group Ltd	0.11	4,038	6,399	China
Mobilezone Holding AG	0.47	1,652	1,652	Switzerland
Modern Times Group AB	0.05	933	1,053	Sweden
Moncler SpA	0.02	1,110	1,316	Italy
Mondi PLC	0.03	2,401	2,401	United Kingdom
Moneysupermarket.com Group PLC	0.11	2,297	2,350	United Kingdom
Morgan Advanced Materials PLC	0.11	1,052	1,226	United Kingdom
Motherson Sumi Systems Ltd	0.04	3,942	4,103	India
Motor Oil Hellas Corinth Refineries SA	0.06	1,155	1,155	Greece
MTU Aero Engines AG	0.04	2,311	3,172	Germany
Muenchener Rueckversicherungs AG	0.01	3,663	3,794	Germany
Mycronic AB	0.14	1,132	1,159	Sweden
Mytilineos Holdings SA	0.17	2,123	2,255	Greece
National Express Group PLC	0.15	3,176	3,286	United Kingdom
National Grid PLC	0.01	4,698	4,698	United Kingdom
Natixis	0.01	2,123	2,375	France

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Neopost SA	0.15	1,203	1,203	France
Nestle SA	0.01	18,163	30,665	Switzerland
NetEnt AB	0.10	1,136	1,136	Sweden
Nets A/S	0.03	1,279	1,279	Denmark
Next PLC	0.05	3,283	3,320	United Kingdom
NN Group NV	0.03	2,851	3,163	Netherlands
Nobia AB	0.15	1,862	1,862	Sweden
Nordea Bank AB	0.16	56,048	63,837	Sweden
Norsk Hydro ASA	0.03	3,171	3,612	Norway
Novartis AG	0.01	20,694	20,694	Switzerland
Novo Nordisk A/S	0.02	6,100	13,284	Denmark
Novozymes A/S	0.02	987	2,767	Denmark
NxStage Medical Inc	0.17	2,309	2,309	United States
Ocean Yield ASA	0.17	1,808	1,808	Norway
Oesterreichische Post AG	0.07	1,818	1,818	Austria
Old Mutual PLC	0.01	1,621	1,782	United Kingdom
OMV AG	0.01	625	1,127	Austria
Orange SA	0.01	3,620	3,780	France
Oriflame Cosmetics SA	0.06	1,108	1,177	Luxembourg
Orsted A/S	0.01	972	1,130	Denmark
OSRAM Licht AG	0.02	976	1,200	Germany
Paddy Power Betfair PLC	0.01	1,034	1,034	Ireland
Pagegroup PLC	0.21	3,598	3,598	United Kingdom
Pandora A/S	0.03	2,652	2,652	Denmark
Partners Group Holding AG	0.02	1,573	2,776	Switzerland
Peab AB	0.06	1,123	1,123	Sweden
Pernod-Ricard SA	0.01	3,065	3,751	France
Pershing Square Holdings Ltd	1.42	37,959	37,959	Guernsey
Persimmon PLC	0.06	4,824	6,026	United Kingdom
Pets at Home Group PLC	0.12	1,208	1,208	United Kingdom
Peugeot SA	0.02	2,469	2,469	France
Pfeiffer Vacuum Technology AG	0.08	1,101	1,267	Germany
Philips Lighting NV	0.03	1,180	1,199	Netherlands
Ping An Insurance Group Co of China Ltd	0.01	4,784	6,384	China
Playtech PLC	0.04	1,187	1,187	Isle of Man
Polymetal International PLC	0.05	2,165	2,335	Russia
Porsche Automobil Holding SE	0.01	1,310	1,421	Germany
PostNL NV	0.07	1,117	1,237	Netherlands

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
ProSiebenSat.1 Media AG	0.03	2,175	2,175	Germany
Prudential PLC	0.01	5,608	7,418	United Kingdom
Prysmian SpA	0.02	963	1,047	Italy
PTT Global Chemical PCL	0.08	7,117	7,950	Thailand
Publicis Groupe	0.01	1,583	1,583	France
Pure Technologies Ltd	0.81	2,648	2,674	Canada
QinetiQ Group PLC	0.24	3,427	3,550	United Kingdom
Raiffeisen Bank International AG	0.02	1,609	2,053	Austria
Randgold Resources Ltd	0.01	1,039	1,071	Jersey
Rational AG	0.02	1,120	1,231	Germany
Reckitt Benckiser Group PLC	0.01	6,041	6,927	United Kingdom
Recordati SpA	0.04	2,654	2,814	Italy
Red Electrica Corp SA	0.01	1,014	1,096	Spain
Redrow PLC	0.13	2,611	3,483	United Kingdom
Regal Entertainment Group	0.10	2,509	2,526	United States
Reliance Industries Ltd	0.01	8,607	8,607	India
RELX NV	0.01	2,297	2,298	Netherlands
RELX PLC	0.02	3,723	4,257	United Kingdom
REN - Redes Energeticas Nacionais SGPS SA	0.16	2,598	2,598	Portugal
Renault SA	0.02	5,217	5,429	France
Reply SpA	0.07	1,014	1,165	Italy
Repsol SA	0.01	2,006	2,399	Spain
Rio Tinto PLC	0.02	9,925	11,185	United Kingdom
Roche Holding AG	0.01	13,791	20,569	Switzerland
Rockwool International A/S	0.05	1,047	1,298	Denmark
Royal Bank of Scotland Group PLC	0.00	1,368	1,614	United Kingdom
Royal Dutch Shell PLC	0.02	27,759	30,023	Netherlands
Royal Mail PLC	0.04	1,684	1,826	United Kingdom
Royal Unibrew A/S	0.09	2,005	2,350	Denmark
RPC Group PLC	0.05	2,102	2,102	United Kingdom
RPS Group PLC	0.21	1,403	1,424	United Kingdom
RTL Group SA	0.02	1,977	1,977	Luxembourg
Rubis SCA	0.04	1,628	2,132	France
RWE AG	0.01	1,158	1,158	Germany
Saeta Yield SA	0.22	1,734	1,734	Spain
Sage Group PLC/The	0.01	1,113	1,265	United Kingdom
Salmar ASA	0.04	1,061	1,137	Norway
Samsung Electronics Co Ltd	0.00	6,464	6,793	Republic of Korea

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Samsung SDI Co Ltd	0.03	3,372	3,372	Republic of Korea
Sandvik AB	0.03	4,042	4,785	Sweden
Sanofi	0.01	11,884	11,884	France
SAP AG	0.01	10,574	12,597	Germany
Saras SpA	0.06	1,138	1,177	Italy
SAS AB	0.22	1,823	1,823	Sweden
Savills PLC	0.21	2,985	3,367	United Kingdom
Scandic Hotels Group AB	0.10	1,226	1,258	Sweden
Schaeffler AG	0.15	3,593	3,773	Germany
Schindler Holding AG	0.04	2,779	3,028	Switzerland
Schneider Electric SA	0.02	5,999	6,882	France
SCOR SE	0.03	2,033	2,033	France
Scottish & Southern Energy PLC	0.02	3,118	3,118	United Kingdom
SEB SA	0.03	2,011	2,678	France
Securitas AB	0.03	1,679	1,679	Sweden
Severn Trent PLC	0.05	2,995	2,995	United Kingdom
SGS SA	0.04	5,751	6,212	Switzerland
Shanghai Fosun Pharmaceutical Group Co Ltd	0.30	6,265	7,799	China
Shire Ltd	0.01	5,336	5,336	Ireland
Shree Cement Ltd	0.03	1,633	2,147	India
Siemens AG	0.01	10,040	11,884	Germany
Sigma Designs Inc	1.15	2,574	2,574	United States
Sika AG	0.02	2,504	3,148	Switzerland
Silver Spring Networks Inc	0.35	2,590	2,590	United States
SimCorp A/S	0.06	1,206	1,206	Denmark
SK Hynix Inc	0.01	3,097	3,587	Republic of Korea
Skandinaviska Enskilda Banken AB	0.02	4,356	4,356	Sweden
Skanska AB	0.02	1,101	1,101	Sweden
SKF AB	0.02	1,254	1,275	Sweden
Sky PLC	0.01	1,500	1,661	United Kingdom
Smith & Nephew PLC	0.01	1,661	1,702	United Kingdom
Smiths Group PLC	0.04	2,354	2,354	United Kingdom
Smurfit Kappa Group PLC	0.03	2,161	2,274	Ireland
Snam Rete Gas SpA	0.02	3,233	3,306	Italy
Societe BIC SA	0.04	1,535	1,535	France
Societe Generale SA	0.02	8,225	8,225	France
Sodexo	0.01	2,438	2,533	France
Software AG	0.06	2,086	2,265	Germany

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Solvay SA	0.01	983	1,186	Belgium
SpareBank 1 SR-Bank ASA	0.05	954	1,050	Norway
Spirax-Sarco Engineering PLC	0.03	1,038	1,242	United Kingdom
Standard Chartered PLC	0.01	3,597	3,955	United Kingdom
Standard Life Aberdeen PLC	0.01	1,592	1,768	United Kingdom
Statoil ASA	0.01	4,048	4,912	Norway
STMicroelectronics NV	0.02	1,950	2,622	Switzerland
Sunny Optical Technology Group Co Ltd	0.05	3,661	5,671	China
Superdry PLC	0.07	1,005	1,251	United Kingdom
Swedbank AB	0.02	5,091	5,091	Sweden
Svenska Handelsbanken AB	0.02	3,938	4,949	Sweden
Swiss Life Holding	0.03	2,751	2,871	Switzerland
Swiss Re Ltd	0.02	6,307	6,307	Switzerland
Swisscom AG	0.01	1,414	1,510	Switzerland
Sydbank A/S	0.04	1,036	1,051	Denmark
Symrise AG	0.01	375	1,196	Germany
Synthomer PLC	0.06	1,082	1,082	United Kingdom
TAL Education Group	0.04	2,973	2,973	China
Tate & Lyle PLC	0.03	1,159	1,189	United Kingdom
Taylor Wimpey PLC	0.06	3,876	4,460	United Kingdom
Tecan Group AG	0.06	1,168	1,245	Switzerland
Telecom Italia SpA	0.01	1,202	1,202	Italy
Telefonaktiebolaget LM Ericsson	0.01	2,202	2,215	Sweden
Telefonica SA	0.01	5,235	5,235	Spain
Telekom Austria AG	0.04	1,356	2,095	Austria
Telenor ASA	0.01	1,600	1,947	Norway
Telia Company AB	0.01	1,228	1,228	Sweden
Telia Company AB	0.10	16,646	16,646	Sweden
Tencent Holdings Ltd	0.00	7,878	14,686	China
Terna Rete Elettrica Nazionale SpA	0.03	2,760	2,873	Italy
Tesco PLC	0.01	2,686	2,686	United Kingdom
The Navigator Company S.A.	0.09	2,410	2,753	Portugal
The Swatch Group AG	0.02	1,561	1,807	Switzerland
Thule Group AB	0.06	970	1,063	Sweden
ThyssenKrupp AG	0.01	1,358	1,377	Germany
Titan Co Ltd	0.05	5,377	5,377	India
Total SA	0.01	13,773	14,379	France
Travis Perkins PLC	0.05	1,959	2,010	United Kingdom



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<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Tribune Media Co	0.09	2,639	2,670	United States
Trigano SA	0.08	1,321	2,367	France
TUI AG	0.01	932	1,242	Germany
u-blox Holding AG	0.09	1,042	1,042	Switzerland
UBS Group AG	0.01	5,532	7,385	Switzerland
UCB SA	0.01	998	1,095	Belgium
Ultra Electronics Holdings	0.10	1,188	1,238	United Kingdom
UltraTech Cement Ltd	0.04	5,380	6,345	India
Umicore	0.01	721	1,023	Belgium
Unibail-Rodamco SE	0.01	3,039	3,039	France
UniCredit SpA	0.01	3,625	4,164	Italy
Unilever NV	0.02	12,933	17,804	Netherlands
UnipolSai SpA	0.02	1,153	1,153	Italy
UPL Ltd	0.09	4,567	4,567	India
Valeo SA	0.02	2,706	3,296	France
Weir Group Plc/The	0.02	931	1,002	United Kingdom
Veolia Environnement	0.01	1,091	1,400	France
Vestas Wind Systems A/S	0.03	3,345	3,345	Denmark
WGL Holdings Inc	0.07	2,501	2,501	United States
WH Group Ltd	0.03	3,491	4,201	Hong Kong
WH Smith PLC	0.08	2,108	2,438	United Kingdom
Whitbread PLC	0.01	1,036	1,088	United Kingdom
Victrex PLC	0.05	999	1,210	United Kingdom
William Hill PLC	0.12	3,139	3,647	United Kingdom
Vinci SA	0.02	4,982	8,290	France
Wirecard AG	0.01	1,424	1,491	Germany
Vivendi SA	0.01	2,612	3,228	France
Vodafone Group PLC	0.01	9,309	9,309	United Kingdom
Voestalpine AG	0.03	1,921	2,952	Austria
Volkswagen AG	0.02	4,561	5,157	Germany
Wolters Kluwer NV	0.02	2,595	2,846	Netherlands
Volvo AB	0.02	4,667	5,749	Sweden
Vonovia SE	0.01	2,024	2,752	Germany
Worldpay Group PLC	0.01	1,205	1,264	United Kingdom
WPP Group PLC	0.02	3,743	3,743	United Kingdom
Yes Bank Ltd	0.12	8,770	11,379	India
Zardoya Otis SA	0.02	1,050	1,050	Spain
Zeal Network SE	0.66	1,186	1,186	United Kingdom

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<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
Zurich Financial Services AG	0.02	8,972	9,239	Switzerland
Muut ulkomaiset noteeratut osakkeet		123,547	129,067	
<b>Foreign listed equities total</b>		<b>1,873,419</b>	<b>2,151,312</b>	
<b>Equity funds</b>				
Allianz Europe Equity Growth W EUR	0.00	34,038	71,416	Luxembourg
Capman Public Market Fund FCP-SIF CA1	36.03		70	Luxembourg
db x-trackers MSCI Europe DR	0.09	179,092	203,632	Luxembourg
eQ Kehittyvät Markkinat Osinko 1 K	0.10	36,228	52,706	Finland
Evli Eurooppa B	0.10	79,356	120,046	Finland
Evli GEM B USD	0.18	27,126	28,274	Finland
Fidelity FAST Asia Fund	0.05	40,196	53,821	Luxembourg
Fidelity Fast Emerging Markets I Acc USD	0.03	60,982	89,843	Luxembourg
Fondita Nordic Micro Cap B	0.07	19,740	64,357	Finland
Fourton Odysseus A	0.05	14,878	33,572	Finland
Fourton Stamina A	0.03	15,212	38,212	Finland
iShares China Large-Cap ETF (USD)	0.04	44,777	51,972	United States
iShares Core MSCI Emerging Markets ETF USD	4.23	153,645	187,405	United States
iShares Core S&P 500 ETF (USD)	0.36	212,498	274,611	United States
iShares Edge MSCI Min Vol Emerging Markets ETF	0.05	106,645	106,645	United States
iShares Edge MSCI USA Min Vol	0.02	133,788	140,829	United States
iShares Edge MSCI USA Value Weighted Index	0.09	131,897	143,980	United States
iShares MSCI AC Asia ex Japan	0.05	99,374	108,126	United States
iShares MSCI Brazil ETF	0.01	20,237	20,237	United States
iShares MSCI Emerging Markets ETF	0.02	125,236	142,818	United States
iShares MSCI Europe UCITS ETF (Dist)	0.18	193,571	218,880	Ireland
iShares MSCI Japan ETF	0.01	47,165	49,971	United States
iShares MSCI South Korea ETF	0.01	21,262	24,991	United States
iShares MSCI Taiwan Capped ETF	0.02	19,625	19,625	United States
iShares MSCI USA Momentum Factor	0.04	125,574	140,167	United States
iShares Russell 2000 ETF	0.00	39,538	40,680	United States
iShares STOXX Europe 600 UCITS ETF (DE)	0.04	100,670	109,041	Germany
LähiTapiola Hyvinvointi A	0.53	20,058	35,963	Finland
Mandatum Life SICAV-SIF Slim Tail Equity Fund B2 USD	0.00	8,956	10,938	Luxembourg
Mirae Asia Sector Leader Equity Fund I USD	0.61	34,845	44,452	Luxembourg
Nomura TOPIX ETF	0.00	170,290	180,753	Japan
Nordea 1 - Emerging Stars Equity Fund BI USD	0.02	77,731	98,019	Luxembourg
Nordea 1 - Stable Emerging Markets Equity BI USD	0.04	49,499	52,911	Luxembourg

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
SPDR S&P 500 Index Trust Series 1	0.00	39,770	40,052	United States
SSGA Enhanced Emerging Markets Equity Fund I USD	0.48	121,466	136,475	Luxembourg
T. Rowe Price Funds SICAV - US Smaller Companies Equity I USD	0.15	48,412	100,850	Luxembourg
Trigon New Europe Fund C	0.42	14,319	22,120	Estonia
UB Aasia REIT Plus K	0.19	10,000	18,859	Finland
Vanguard Emerging Markets Stock Index(Ins) USD	0.01	162,824	187,754	Ireland
Vanguard REIT ETF	0.00	2,266	2,266	United States
Vanguard S&P 500 Index Fund ETF Class (USD)	0.00	235,506	276,112	United States
<b>Equity funds total</b>		<b>3,078,289</b>	<b>3,743,451</b>	
<b>Fixed income funds</b>				
Aktia Emerging Market Local Currency Bond+ D	9.23	97,480	108,144	Finland
Aktia Emerging Market Local Currency Frontier Bond+	16.77	94,677	100,030	Finland
Ashmore Emerging Markets Debt Institution	0.04	50,237	50,237	Luxembourg
Ashmore Emerging Markets Local Currency Bond Fund I EUR	0.03	104,073	104,073	Luxembourg
Aviva Global High Yield Bond Fund I USD	0.00	47,762	47,762	Luxembourg
Barings Capital Emerging Markets Local Debt Fund AA USD	0.15	127,368	131,845	Ireland
Barings Capital European Loan Fund B EUR	0.01	53,121	61,992	Ireland
Barings Capital Global Loan Fund Tranche A USD Acc	0.00	21,686	35,045	Ireland
Barings Capital Global Loan Fund Tranche B USD Acc	0.00	30,684	35,301	Ireland
Barings Global Senior Secured Bond D USD	0.08	22,685	22,685	Ireland
BlackRock Global Funds - Emerging Markets Bond X2 USD	0.16	101,572	107,984	Luxembourg
BlackRock Global Funds - Emerging Markets Corporate Bond X2 USD	1.58	22,531	32,789	Luxembourg
BlackRock Global Funds - Emerging Markets Local Currency Bond X2 EUR	0.28	84,333	97,365	Luxembourg
BlackRock Global Funds - Global High Yield Bond I2 USD	0.11	51,908	51,908	Luxembourg
BlackRock Strategic Funds - Emerging Markets Flexi Dynamic Bond X2 USD	0.02	59,097	64,479	Luxembourg
BlueBay Investment Grade Absolute Return Bond Fund - I - EUR	0.02	50,899	52,810	Luxembourg
BlueBay Investment Grade Bond I Fund	0.02	83,281	85,736	Luxembourg
Clareant European Loan Fund Class II G EUR	0.00	20,000	20,921	Luxembourg
Clareant European Loan Fund Class IIA EUR	0.00	35,640	43,018	Luxembourg
Credit Suisse Nova Lux Global Senior Loan Fund MB USD	0.00	48,195	48,195	Luxembourg
Evli High Yield Yrityslaina B	0.02	33,561	43,539	Finland
Fidelity European High Yield Fund I-ACC-EUR	0.01	35,251	38,198	Luxembourg
GAM Multibond Local Emerging Bond Fund C EUR Unhedged	0.01	55,923	64,673	Luxembourg
Global Evolution Funds Frontier Markets I EUR	0.05	125,000	132,177	Luxembourg
Global Evolution Funds Emerging Markets Debt & FX I	0.02	10,000	10,328	Luxembourg
GMO Emerging Country Debt Investment Fund	0.02	22,546	25,276	Ireland
iShares Core Euro Corporate Bond UCITS ETF (EUR)	0.00	1,264	1,309	Ireland

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Proportion of all shares, %</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
iShares Euro High Yield Corporate Bond UCITS ETF	0.00	1,073	1,074	Ireland
iShares iBoxx \$ Investment Grade Corporate Bond ETF	0.00	1,014	1,014	United States
iShares iBoxx USD High Yield Corporate Bond ETF	0.00	728	728	United States
M&G European Loan Fund C EUR	0.02	81,363	81,514	Ireland
Man GLG Global Emerging Markets Debt Total Return I US	0.04	130,385	130,385	Ireland
Man GLG Global Emerging Markets Local Currency Rates Fund I C EUR	0.17	44,263	44,509	Ireland
Muzinich Bondyield ESG Fund Institutional Hedged EUR Acc	0.16	28,017	38,159	Ireland
Neuberger Berman Emerging Market Debt - Hard Currency Fund USD I2 Acc	0.16	17,303	17,411	Ireland
Neuberger Berman Emerging Markets Debt -Local Currency Fund- EUR I2 Unhedged Acc Class	0.18	47,012	53,856	Ireland
NN L FLEX Senior Loans	0.00	51,000	51,566	Luxembourg
Nomura Funds - US High Yield Bond I - USD	0.00	29,264	29,264	Ireland
Nordea 1 SICAV - US Corporate Bond Fund -BI USD	0.11	51,004	51,004	Luxembourg
Nordea 1 SICAV European High Yield Bond Fund X EUR	0.03	35,014	48,068	Luxembourg
Nordea 1 SICAV US High Yield Bond Fund X USD	0.22	35,028	35,028	Luxembourg
Pimco Diversified Income Duration Hedged Fund Inst USD A	0.34	48,054	48,054	Ireland
Pimco Emerging Local Bond Fund Inst EUR(Unhgd) Acc	0.21	75,968	76,750	Ireland
Pimco Emerging Markets Corporate Bond Fund Inst USD Acc	0.47	13,951	13,951	Ireland
Pimco Global High Yield Bond Fund Institution Acc	0.04	38,643	42,778	Ireland
Pimco US High Yield Bond Fund USD Inst Acc	0.06	35,172	40,733	Ireland
Schroder International Euro Corporate Bond Fund I Acc	0.04	76,256	84,379	Luxembourg
Stone Harbor Emerging Markets Local Currency Debt I EUR A	0.01	69,432	69,432	Ireland
T. Rowe Price Funds SICAV - Global High Yield Bond I USD	0.11	38,207	51,078	Luxembourg
Wellington USD Core High Yield Bond USD AC	0.60	20,495	20,495	Ireland
<b>Fixed income funds total</b>		<b>2,459,418</b>	<b>2,649,050</b>	

## Financial Statements

<b>EUR 1,000 Name</b>	<b>Book value 31 Dec 2017</b>	<b>Market value 31 Dec 2017</b>	<b>Country of domicile</b>
<b>Private equity funds</b>			
Advent International GPE VII	14,656	24,021	United States
Advent International GPE VIII	19,773	19,773	United States
Aino Holdingyhtiö Ky	18,678	18,678	Finland
Altor Fund II (No. 1) Limited Partnership	1,541	1,541	Jersey
Altor Fund III (No. 2) Limited Partnership	10,172	10,861	Jersey
Altor Fund IV (No. 2) AB	7,004	8,445	Sweden
Amanda III Eastern Private Equity Ky	5,022	5,079	Finland
American Securities Partners VI, L.P.	11,015	23,310	United States
American Securities Partners VII, L.P.	32,490	33,981	United States
Antin Infrastructure Fund III L.P.	2,070	2,070	United Kingdom
Apax Europe VII - B, L.P.	7,294	7,294	United Kingdom
Apax IX EUR L.P.	22,145	22,145	Guernsey
Apax VIII - A L.P.	36,337	41,694	Guernsey
Ardian LBO Fund VI A	14,734	14,734	France
Armada Mezzanine Fund III Ky	247	1,302	Finland
Armada Mezzanine Fund IV L.P.	3,539	3,843	Finland
Auda Capital IV (Cayman) LP (USD)	208	1,502	Cayman Islands
AXA LBO Fund IV FCPR		5,650	France
AXA LBO Fund IV Supplementary FCPR		1,459	France
AXA LBO Fund V Core	12,840	24,564	France
AXA LBO Fund V Supplementary	5,358	6,576	France
AXA Secondary Fund V L.P.	210	11,182	United Kingdom
AXA Secondary Fund VII L.P.	12,292	14,219	United Kingdom
Barings Global Credit Fund (LUX) SCsp	34,623	34,623	Luxembourg
Berkshire Fund IX, L.P.	10,035	10,035	United States
Berkshire Fund VIII-A L.P.	16,655	16,655	United States
Bowmark Capital Partners IV, L.P.	6,359	7,319	United Kingdom
Bowmark Capital Partners V, L.P.	5,783	5,783	United Kingdom
Bridgepoint Europe III E, L.P.	4,145	4,403	United Kingdom
Bridgepoint Europe IV F L.P.	5,876	9,236	United Kingdom
Bridgepoint Europe V C L.P.	21,374	22,335	United Kingdom
Capvis Equity III L.P.	4,667	4,667	Jersey
Capvis Equity IV L.P.	19,192	21,675	Jersey
Capvis III Co-Investors Arena L.P.	11,103	12,799	Jersey
Comvest Capital IV (Luxembourg) Feeder Fund, SCSp	7,966	7,966	Luxembourg
Conor Technology Fund I Ky	461	774	Finland
Crown Opportunities Fund Ky		14,828	Finland

## Financial Statements

<b>EUR 1,000</b>			
<b>Name</b>	<b>Book value</b>	<b>Market value</b>	<b>Country of domicile</b>
	<b>31 Dec 2017</b>	<b>31 Dec 2017</b>	
Danske Private Equity Partners V (USD - A) K/S	6,962	8,937	Denmark
Danske Private Equity Partners V New (USD - A) K/S	5,795	5,795	Denmark
Dasos FS Partnership SCSp	10,000	14,785	Luxembourg
Dasos Timberland Fund II	24,387	27,013	Luxembourg
Dover Street IX Cayman L.P	9,983	10,743	United States
Dover Street VIII L.P	25,376	31,063	United States
EQT Infrastructure III SCSp	2,497	2,497	Luxembourg
EQT VII (No. 2) L.P	24,509	25,609	United Kingdom
First State Investments European Diversified Infrastructure FCP-SIF	19,566	21,423	Luxembourg
First State Investments European Diversified Infrastructure Fund II SCSp	17,224	17,224	Luxembourg
FSN Capital IV L.P	18,720	21,188	Jersey
FSN Capital V L.P	4,005	4,411	Jersey
Genstar Capital Partners VIII Co-Investment Program	3,219	3,219	United States
Genstar Capital Partners VIII, L.P	1,770	1,770	United States
GHO Capital Fund I L.P	13,858	13,858	United Kingdom
Gresham 4A	1,266	1,266	United Kingdom
H.I.G. Whitehorse Offshore Loan Feeder Fund	6,802	6,815	United States
Hayfin Special Opportunities Fund II	16,411	17,010	United Kingdom
Hellman & Friedman Capital Partners VIII, L.P	14,586	14,869	United States
Hermes GPE Global Secondary Feeder I LP	6,558	10,315	United Kingdom
Hermes GPE Global Secondary Feeder II LP	9,304	10,845	United Kingdom
HgCapital 7E L.P	26,290	30,947	United Kingdom
HPS Specialty Loan Fund IV, L.P	9,623	9,623	United States
ICG Senior Debt Partners II	26,698	27,928	Luxembourg
Indigo Capital V L.P	908	908	United Kingdom
Industri Kapital 2007 Limited Partnership	1,837	1,837	United Kingdom
Industrie & Finance Investissements 2 FCPR	5,445	6,296	France
Intera Fund II Ky	7,967	17,804	Finland
Intera Fund III Ky	3,816	3,816	Finland
Juuri Rahasto I Ky	5,132	5,132	Finland
Kasvurahastojen Rahasto II Ky	3,610	3,610	Finland
Kasvurahastojen Rahasto Ky	5,998	8,319	Finland
Kayne Senior Credit Fund III	21,262	21,262	Luxembourg
L&C Timberlands L.P	43,768	43,768	United States
Levine Leichtman Capital Partners V, L.P	30,227	30,333	United States
Levine Leichtman Capital Partners VI-A, L.P	5,083	5,083	United States
Lexington Capital Partners VIII	23,425	23,560	United States
Lifeline Ventures Fund III Ky	1,113	1,113	Finland
Lindsay Goldberg III L.P	18,927	27,641	United States

## Financial Statements

<b>EUR 1,000</b>			
<b>Name</b>	<b>Book value</b>	<b>Market value</b>	<b>Country of domicile</b>
	<b>31 Dec 2017</b>	<b>31 Dec 2017</b>	
Lindsay Goldberg IV L.P.	14,401	20,330	United States
LT Fund Investments	56,000	62,786	Luxembourg
Macquarie European Infrastructure Fund II	2,665	4,908	United Kingdom
MB Equity Fund IV Ky	16,486	26,885	Finland
MB Equity Fund V Ky	3,468	3,468	Finland
Monroe Capital Private Credit Fund II	26,667	26,667	Ireland
Nexit Infocom II L.P.	4,786	8,717	Guernsey
Nordic Capital VII Alpha, L.P.	20,191	22,123	Jersey
Nordic Mezzanine Fund II Limited Partnership	839	1,105	United Kingdom
Nordic Mezzanine Fund III Limited Partnership	4,564	12,562	United Kingdom
OCM Opportunities Fund VII		578	Cayman Islands
Open Ocean Fund 2015 Ky	535	535	Finland
Palvelurahasto I Ky	629	1,569	Finland
Partners Group Direct Mezzanine 2011 S.C.A. SICAR	14,787	17,254	Luxembourg
Partners Group Secondary 2011 (EUR) L.P Inc	12,350	19,297	Guernsey
Partners Group U.S. Venture 2004, L.P.	3,633	3,633	United States
Platinum Equity Capital Partners III, L.P.	17,370	23,626	United States
Platinum Equity Capital Partners IV, L.P.	12,208	12,208	United States
Power Fund II Ky	1,165	1,165	Finland
Rocket Internet Capital Partners Growth Fund	9,450	10,965	Luxembourg
Sentica Buyout IV	7,633	9,255	Finland
Sentica Buyout V Ky	1,261	1,261	Finland
Silverfleet Capital Partners II LP	15,978	15,978	United Kingdom
Sponsor Fund IV	5,068	5,068	Finland
Top Tier Venture Capital III, L.P.	2,864	2,864	United States
Top Tier Venture Capital IV, L.P.	4,489	7,483	United States
TPG Partners VI, LP	18,828	20,519	United States
TPG Partners VII, L.P.	26,135	29,970	United States
TSG 7 A L.P.	9,032	9,032	United States
TuuliTapiola Ky	10,201	10,201	Finland
Vaaka Partners Buyout Fund III Ky	654	654	Finland
Waterland Private Equity Fund VI	11,655	13,115	Netherlands
Wind Power Central Norway SCS	22,591	23,699	Luxembourg
Vista Equity Partners Fund IV, L.P.	11,104	24,221	United States
Vista Equity Partners Fund V-A	51,809	55,442	Cayman Islands
Vista Equity Partners Fund VI-A, L.P.	39,156	39,156	Cayman Islands
Muut pääomarahastot	11,192	19,008	
<b>Private equity funds total</b>	<b>1,341,635</b>	<b>1,583,966</b>	



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<b>EUR 1,000</b>			
<b>Name</b>	<b>Book value</b>	<b>Market value</b>	<b>Country of domicile</b>
	<b>31 Dec 2017</b>	<b>31 Dec 2017</b>	
<b>Real estate investment funds</b>			
Aberdeen Property Funds SICAV Pan-Nordic	3,879	3,879	Luxembourg
Agore Kiinteistöt Ky	38,300	38,300	Finland
Avara Asuinkiinteistörahasto I Ky	1,222	1,222	Finland
BlackRock Europe Property Fund III	737	737	United Kingdom
Blackstone Real Estate Debt Strategies High-Grade L.P.	3,008	3,008	United States
Capman Hotels RE Ky	25,323	31,717	Finland
CBRE Dutch Office Fund II BV	79	79	Netherlands
CBRE European Industrial Fund CV	24,547	24,547	Netherlands
CBRE Office Fund The Netherlands	176	176	Netherlands
DOF Development Fund CV	65	90	Luxembourg
Erikoissijoitusrahasto Fennica Toimitilat I	9,898	9,898	Finland
Erikoissijoitusrahasto Fennica Tontit	10,000	10,010	Finland
European Added Value Fund, L.P.	449	449	United Kingdom
Exilion Asemahotellit Ky	9,184	9,184	Finland
Exilion Real Estate I Ky	28,798	76,335	Finland
Henderson Central London Office Fund II LP	1,801	8,640	United Kingdom
ICG-Longbow UK Real Estate Debt Investments III S.a.r.l.	16,545	16,545	Luxembourg
Kauppa keskus Hansa Ky	14,315	16,248	Finland
LähiTapiola Asuntorahasto Prime Ky	25,000	26,503	Finland
Morgan Stanley Prime Property Fund, LLC.	53,808	57,238	United States
Nordika Fastigheter AB	1,534	8,422	Sweden
Nordika II Fastigheter AB	12,626	16,850	Sweden
PBW II Real Estate Fund S.A.	5,310	5,310	Luxembourg
Prologis European Logistics Fund FCP-FIS	26,984	26,984	Luxembourg
Real Estate Debt & Secondaries Ky	13,920	14,343	Finland
Rockspring Peripheral Europe Limited Partnership		421	United Kingdom
Russian and Baltics Retail Properties Ky	10,400	10,400	Finland
Scandinavian Property Fund - Unleveraged	43,414	43,414	Luxembourg
Sentinel Real Estate Fund, LP	49,403	50,770	United States
Standard Life Investments UK Shopping Centre Feeder Fund L.P.	15,899	15,899	Jersey
Tapiola KR III Ky	57,385	63,316	Finland
Tapiola KR IV Ky	604	8,845	Finland
Tishman Speyer European Core Fund FCP-SIF	39,009	39,009	Luxembourg
Tishman Speyer European Strategic Office Fund Scots Feeder L.P.		2,400	United Kingdom
TT Holdings SCSp	29,938	29,938	Luxembourg
UBS Trumbull Property Fund LP	43,528	43,528	United States
UK Property Income Fund II	22,011	22,011	United Kingdom
Vierumäen Hotelli kiinteistö Ky	5,985	5,985	Finland
<b>Real estate investment funds total</b>	<b>645,086</b>	<b>742,650</b>	

## Financial Statements

<b>EUR 1,000</b>			
<b>Name</b>	<b>Book value</b>	<b>Market value</b>	<b>Country of domicile</b>
	<b>31 Dec 2017</b>	<b>31 Dec 2017</b>	
<b>Hedge fund investments</b>			
AHL Dimension(Cayman) Ltd Class A USD	60,455	61,921	Cayman Islands
Anchorage Capital Partners Offshore Ltd Class D	89,431	95,595	Cayman Islands
Blue Mountain Credit Alternatives Fund Ltd	62,857	75,879	Cayman Islands
Brevan Howard Fund Limited Class E	18,253	18,253	Cayman Islands
Canyon Value Realization Fund (Cayman) Ltd Class B	46,547	65,274	Cayman Islands
Capula Global Relative Value Fund Ltd Class E	118,555	153,812	Cayman Islands
Davidson Kempner International (BVI) Ltd Class C	45,456	69,674	British Virgin Islands
Elliot International Ltd Class B	44,368	80,968	Cayman Islands
Field Street Offshore Fund Ltd Class A2 Main	105,341	105,341	Cayman Islands
GoldenTree Offshore Fund Ltd. Class C	45,080	51,132	Cayman Islands
GoldenTree Select Offshore Ltd A Series 28	16,932	17,083	Cayman Islands
HBK Multi-Strategy Offshore Fund Ltd. Class A	59,971	59,971	Cayman Islands
High Restoration Capital Partners Offshore L.P	2,923	8,121	United States
Hudson Bay International Fund Ltd. Class A	36,883	40,958	Ireland
IPM Systematic Macro Fund Class C EUR	80,806	96,466	Cayman Islands
Kepos Alpha Fund Ltd. Class A	69,438	69,438	Cayman Islands
King Street Capital Ltd. Class A	49,060	52,647	British Virgin Islands
Man AHL (Cayman) SPC Class A1 Evolution EUR	59,484	88,965	Cayman Islands
Man AHL Evolution Frontier Limited A EUR	20,000	22,570	Cayman Islands
Marathon Special Opportunities Fund Holdback	1,513	1,513	Cayman Islands
Marshall Wace Market Neutral TOPS Fund Class B EUR	78,599	98,481	Ireland
Millennium International Ltd. Class EE	82,464	126,885	Cayman Islands
Moore Macro Managers Fund Ltd Class B	63,502	71,434	United States
OxAM Quant Fund Limited Series A	23,077	23,077	Cayman Islands
OxAM Quant Fund Ltd Series A 0416 EUR	18,768	18,768	Cayman Islands
Pharo Gaia Fund Ltd. Class B Series 13 EUR	25,000	25,581	Cayman Islands
Pharo Gaia Fund Ltd. Class B Series 8 EUR	70,000	87,049	Cayman Islands
Pharo Macro Fund Ltd. Class B	65,916	85,283	Cayman Islands
Pine River Fund Ltd. Class A	13,866	15,829	United States
Samlyn Offshore Ltd. Class AS	82,492	86,807	Cayman Islands
Silver Point Capital Offshore Fund Ltd.	70,410	87,405	Cayman Islands
Two Sigma Absolute Return Cayman Fund Ltd. Class A1	109,764	148,563	Cayman Islands
Wexford Offshore Spectrum Fund	2,542	4,229	Cayman Islands
Viking Global Equities III Ltd. Class H	54,464	77,253	Cayman Islands
Muut hedge-rahastosijoitukset	5,455	6,101	
<b>Hedge fund investments total</b>	<b>1,799,672</b>	<b>2,198,326</b>	
<b>Elo's other investments total:</b>	<b>12,216,635</b>	<b>14,632,608</b>	

## Financial Statements

<b>EUR 1,000</b>	<b>Book value</b>	<b>Market value</b>	<b>Country of domicile</b>
<b>Name</b>	<b>31 Dec 2017</b>	<b>31 Dec 2017</b>	
<b>Other investments, subsidiaries</b>			
<b>Finnish unlisted shares and holdings</b>			
Soittokunnanpolun Pysäköinti Oy	414	414	Finland
Herttoniemen Pysäköinti Oy	9	9	Finland
Ruukinpuiston Pysäköinti Oy	134	134	Finland
Kiinteistö Oy Espoon Biiliparkki	2,571	2,571	Finland
Vaneritorin Parkki Oy	83	83	Finland
Nelikkokujan autopaikoitus Oy	355	355	Finland
Jätkäsaaren Pysäköinti Oy	771	771	Finland
Jätkäsaaren jätteen putkikeräys Oy	945	945	Finland
Stella Business Park Oy	1,415	1,415	Finland
Stella Park	1,363	1,363	Finland
Kiinteistö Oy Uusi Maapohja	109	109	Finland
Other equities	3	3	Finland
<b>Subsidiaries' other investments, total:</b>	<b>8,173</b>	<b>8,173</b>	
<b>Total:</b>	<b>12,224,807</b>	<b>14,640,781</b>	

Holdings with a book value of over EUR 1,000 have been specified.

EUR 1,000	Parent company 2017	Parent company 2016	Group 2017	Group 2016
<b>LOAN RECEIVABLES</b>				
<b>Loan receivables itemised by guarantee</b>				
Bank guarantee	67,096	76,317	67,096	76,317
Guarantee insurance	55,205	39,810	55,205	39,810
Insurance policy	5	5	5	5
Other guarantee	34,416	32,426	34,416	32,426
Remaining acquisition cost	156,723	148,559	156,723	148,559
Non-guarantee remaining acquisition cost, total	220,024	162,455	220,024	162,455
<b>Total pension loan receivables</b>				
Other loans guaranteed by mortgages	345	397	345	397
Other loans	120,507	113,628	120,507	113,628
Remaining acquisition cost, total	120,852	114,025	120,852	114,025
<b>Loans to related parties</b>				
Loans granted to Group companies	546,647	637,422		
Loans granted to associated undertakings	114,346	74,183	114,346	74,183
Other loans to related parties	156,556	83,443	156,556	83,443

The original loan period of loans is no more than 20 years.

The loans either have fixed interest or are linked to the market rate.

Securities for loans consist of mortgages on property or mortgages on an installation on the property of a third party, unless the loan in question is a subordinated loan.

The original loan period of loans is no more than 10 years.

The interest basis of the loans is the TyEL loan interest rate and the Euribor rate.

<b>EUR 1,000</b>	<b>Intangible rights 2017</b>	<b>Other long-term expenses 2017</b>	<b>Projects in progress of long-term expenses 2017</b>	<b>Provisional premiums 2017</b>	<b>Machinery and equipment 2017</b>	<b>Other tangible assets 2017</b>
<b>CHANGES IN TANGIBLE AND INTANGIBLE ASSETS, PARENT COMPANY</b>						
Acquisition cost, 1 Jan	14,638	31,002	1,425	1,169	7,232	380
Items written off in the previous year	-214	-654			-852	
Increase	106	1,043	143	799	1,279	
Decrease				-112	-1,051	
Transfers between items		1,425	-1,425			
Acquisition cost, 31 Dec	14,529	32,817	143	1,857	6,608	380
Accumulated depreciations on 1 Jan	-7,158	-13,695			-2,928	
Items written off in the previous year	214	654			852	
Accumulated depreciation related to deductions and transfers					629	
Depreciation for the financial year	-2,818	-5,679			-1,065	
Accumulated depreciations on 31 Dec	-9,762	-18,719			-2,511	
Book value on 31 Dec	4,767	14,098	143	1,857	4,097	380
<b>CHANGES IN TANGIBLE AND INTANGIBLE ASSETS, GROUP</b>						
Acquisition cost, 1 Jan	14,701	31,002	1,425	1,169	7,232	380
Items written off in the previous year	-214	-654			-852	
Increase	106	1,043	143	799	1,279	
Decrease				-112	-1,051	
Transfers between items		1,425	-1,425			
Acquisition cost, 31 Dec	14,592	32,817	143	1,857	6,608	380
Accumulated depreciations on 1 Jan	-7,158	-13,695			-2,928	
Items written off in the previous year	214	654			852	
Accumulated depreciation related to deductions and transfers					629	
Depreciation for the financial year	-2,818	-5,679			-1,065	
Accumulated depreciations on 31 Dec	-9,762	-18,719			-2,511	
Book value on 31 Dec	4,830	14,098	143	1,857	4,097	380

## Financial Statements

EUR 1,000	Parent company 2017	Parent company 2016	Group 2017	Group 2016
<b>OTHER PREPAYMENTS AND ACCRUED INCOME, ACCRUALS AND DEFERRED INCOME</b>				
<b>Other prepayments and accrued income</b>				
Receivables from funds	2,724	3,728	2,724	3,728
Dividends from foreign investments	7,550	7,048	7,550	7,048
Receivables from division of cost	9,646	10,685	9,646	10,685
Open purchase money claims	10,000		10,000	
Other prepayments and accrued income	2,992	1,411	5,168	2,701
	32,912	22,872	35,088	24,162
<b>Accruals and deferred income</b>				
Accruals and deferred income from derivatives	18,739	48,880	18,739	48,880
Debt from division of cost	41,433	18,183	41,433	18,183
Other accruals and deferred income	19,723	20,547	22,487	27,579
	79,894	87,610	82,659	94,642

EUR 1,000	1 Jan 2017	Increase	Decrease	31 Dec 2017
<b>CAPITAL AND RESERVES, PARENT COMPANY</b>				
<b>Changes in capital and reserves</b>				
Initial fund	6,694			6,694
Other reserves	92,798	5		92,802
Profit brought forward	1,842			1,842
Profit for the accounting period	5	5	-5	5
Total	101,338	10	-5	101,343
<b>Distribution of capital and reserves after the proposed distribution of profit</b>				
Share of policyholders after the proposed distribution	101,343			
Total	101,343			
<b>Distributable profits</b>				
Profit for the year	5			
Other distributable reserves				
Other reserves	92,802			
Accumulated profit	1,842			
Total distributable profits	94,649			

<b>EUR 1,000</b>	<b>1 Jan 2017</b>	<b>Increase</b>	<b>Decrease</b>	<b>31 Dec 2017</b>
<b>CAPITAL AND RESERVES, GROUP</b>				
<b>Changes in capital and reserves</b>				
Initial fund	6,694			6,694
Guarantee fund	86	2		88
Revaluation reserve	185			185
Loan amortisation reserve	84			84
Other reserves	93,026	5		93,030
Profit brought forward	-14,475	5,912	17	-8,546
Profit for the accounting period	5,917	10,999	-5,917	10,999
Total	91,516	16,919	-5,900	102,534
<b>Distribution of capital and reserves after the proposed distribution of profit</b>				
Share of policyholders after the proposed distribution	102,534			
Total	102,534			
<b>Distributable profits</b>				
Profit for the year	10,999			
Other distributable reserves				
Other reserves	93,030			
Accumulated profit	-8,546			
Total distributable profits	95,484			

## Financial Statements

<b>EUR 1,000</b>	<b>Parent company 2017</b>	<b>Parent company 2016</b>	<b>Group 2017</b>	<b>Group 2016</b>
<b>TECHNICAL PROVISIONS</b>				
Premium reserve				
Future pensions	9,350,580	9,113,660	9,350,580	9,113,660
Provision for future bonuses	1,468,802	545,237	1,468,802	545,237
Provision for current bonuses	72,483	58,478	72,483	58,478
Provision linked to equity income	411,984	173,545	411,984	173,545
Total premium reserve	11,303,849	9,890,920	11,303,849	9,890,920
Provision for claims outstanding				
Current pensions	8,830,605	8,272,398	8,830,605	8,272,398
Equalisation provision		364,052		364,052
Total provision for claims outstanding	8,830,605	8,636,449	8,830,605	8,636,449
Total technical provisions	20,134,453	18,527,370	20,134,453	18,527,370

<b>EUR 1,000</b>	<b>Group 2017</b>	<b>Group 2016</b>
<b>LONG-TERM LOANS, GROUP</b>		
Long-term liabilities to non-Group companies maturing later than within 5 years	19,590	15,508



EUR 1,000	Parent company 2017	Parent company 2016	Group 2017	Group 2016
<b>COLLATERAL AND CONTINGENT LIABILITIES</b>				
<b>Collateral given on own behalf</b>				
Pledges given as security for derivatives trading	75,770	125,159	75,770	125,159
Mortgages given as security for external loans			26,500	13,500
<b>Liabilities resulting from derivative contracts</b>				
<b>Non-hedging derivatives</b>				
<b>Interest rate derivatives</b>				
<b>Forward and future contracts, open</b>				
Value of underlying instruments	-637,490		-637,490	
Fair value of contracts	-3		-3	
<b>Interest rate swaps, open</b>				
Value of underlying instruments	96,227		96,227	
Fair value	-82		-82	
<b>Foreign currency derivatives</b>				
<b>Forward contracts, open</b>				
Value of underlying instruments	-6,958,355	7,422,799	-6,958,355	7,422,799
Current value	62,564	-2,901	62,564	-2,901
<b>Option contracts, open</b>				
Options bought				
Value of underlying instruments	215,611	109,105	215,611	109,105
Fair value of contracts	3,453	7,744	3,453	7,744
Options sold				
Value of underlying instruments	-1,524	252,820	-1,524	252,820
Fair value of contracts	-493	-5,281	-493	-5,281
<b>Equity-linked derivatives</b>				
<b>Forward and future contracts, open</b>				
Value of underlying instruments	700,395	575,686	700,395	575,686
Fair value of contracts	-1,141	8,378	-1,141	8,378

## Financial Statements

<b>EUR 1,000</b>	<b>Parent company 2017</b>	<b>Parent company 2016</b>	<b>Group 2017</b>	<b>Group 2016</b>
<b>Option contracts, open</b>				
Options bought				
Value of underlying instruments	-878,689	-304,899	-878,689	-304,899
Fair value of contracts	65,795	46,885	65,795	46,885
Options sold				
Value of underlying instruments	-928,678	337,104	-928,678	337,104
Fair value of contracts	-53,126	-34,816	-53,126	-34,816
<b>Credit risk derivatives</b>				
<b>Credit risk swaps, open</b>				
Value of underlying instruments	-134,807		-134,807	
Fair value of contracts	-14,807		-14,807	
<b>Other derivatives</b>				
<b>Forward and future contracts, open</b>				
Value of underlying instruments	503	-3,749	503	-3,749
Fair value of contracts	35	707	35	707
<b>Total return swaps, open</b>				
Value of underlying instruments		298,267		298,267
Fair value of contracts		-918		-918
<b>Collateral received</b>				
Collateral for derivatives trade	25,610	2,200	25,610	2,200
<b>Investment contracts</b>				
Private equity funds	1,801,919	1,588,462	1,801,919	1,588,462
Fund investments		578		578
Real estate funds	130,963	115,362	130,963	115,362
<b>Lease and rent liability</b>				
Lease liability for the current financial year	76		76	
Lease liability for future financial years	282		282	

## Financial Statements

<b>EUR 1,000</b>	<b>Parent company 2017</b>	<b>Parent company 2016</b>	<b>Group 2017</b>	<b>Group 2016</b>
<b>Other contingent liabilities</b>				
Liability for the VAT debt of the tax liability group in accordance with section 188 of the Value Added Tax Act	2,741	4,818	2,741	4,818
Refund liability for the real estate investments of the tax liability group in accordance with section 120 of the Value Added Tax Act	44,718	55,897	44,718	55,897
Elo Mutual Pension Insurance Company divested an entity of several office real estate companies in 2016. The buyer filed a complaint within the prescribed time with regard to the defective condition of the building included in the transaction, demanding compensation of approximately EUR 2.8 million related to the seller's liability. Elo has rejected the grounds and amount of the claim.				
<b>Mortgages on real estate and right of lease</b>				
Mortgaged debentures			18,729	15,848
<b>Mortgages issued in exchange for right of lease</b>				
Mortgaged debentures			343	295
<b>Other security</b>				
Deposits			297	297
<b>Mortgages on lease plots</b>			148	148

The company has no liabilities or contingent liabilities to parties related to the insurance company.

The company has not engaged in related-party transactions other than those conducted under normal commercial terms.

<b>EUR 1,000</b>	<b>Parent company 2017</b>	<b>Parent company 2016</b>
<b>SOLVENCY CAPITAL, PARENT COMPANY</b>		
Capital and reserves after the proposed distribution of profit	101,343	101,338
Accrued appropriations	811	748
Valuation difference between current values of assets and book values of balance sheet items	3,265,410	3,297,951
Provision for future bonuses	1,468,802	545,237
Deferred acquisition costs and intangible assets	-20,865	-27,381
Equalisation provision		353,033
	4,815,500	4,270,926
Minimum amount of solvency capital under section 17 of the Act on Pension Insurance Companies	1,013,399	789,215

# Group structure 31 December 2017

## The Group comprises the following companies:

Asunto Oy Asematie 13  
Asunto Oy Bulevardi 32  
Asunto Oy Espoon Kalaonnetie 3  
Asunto Oy Espoon Moodi  
Asunto Oy Espoon Nelikkokuja 5  
Asunto Oy Espoon Puistopiha  
Asunto Oy Espoon Punakaneli  
Asunto Oy Espoon Ratsukatu 4  
Asunto Oy Espoon Viirikuja 1  
Asunto Oy Helsingin Aleksis Kiven katu 11  
Asunto Oy Helsingin Henrikintie 5  
Asunto Oy Helsingin Kerttulipuisto  
Asunto Oy Helsingin Kokkokalliontie 1  
Asunto Oy Helsingin Kokkokalliontie 3  
Asunto Oy Helsingin Kokkokalliontie 5  
Asunto Oy Helsingin Kokkokalliontie 9  
Asunto Oy Helsingin Konalantie 7  
Asunto Oy Helsingin Konalantie 9  
Asunto Oy Helsingin Linnankoskenkatu 4  
Asunto Oy Helsingin Puuskakuja 23  
Asunto Oy Helsingin Puuskarinne 7  
Asunto Oy Helsingin Yliskyläntie 2  
Asunto Oy Jyväskylän Schaumanin Puistotie 19  
Asunto Oy Jyväskylän Suuruspääntie 8  
Asunto Oy Järvenpään Kartanontie 15  
Asunto Oy Järvenpään Paja  
Asunto Oy Järvenpään Sahankaari 13  
Asunto Oy Keravan Lintulammenkatu 5 A  
Asunto Oy Keravan Palokorvenkatu 9  
Asunto Oy Keravan Solina  
Asunto Oy Kotkan Kirkkokatu 4  
Asunto Oy Lahden Purserinsaari  
Asunto Oy Lappeenrannan Pikisaarenranta

Asunto Oy Oulun Hallituskatu 25  
Asunto Oy Pitäjänmäentie 35  
Asunto Oy Rovaniemen Lapintapiola  
Asunto Oy Slottsveden Helsinki  
Asunto Oy Tampereen Lapinkaari 18  
Asunto Oy Tampereen Lapinniemen Majakka  
Asunto Oy Tampereen Sammonkatu 66  
Asunto Oy Tampereen Sarvijaakonkatu 13 ja 19  
Asunto Oy Tampereen Sarvijaakonkatu 14  
Asunto Oy Tampereen Sarvijaakonkatu 15-17  
Asunto Oy Tapiolan Caritas, Oulu  
Asunto Oy Tervatori  
Asunto Oy Turun Itäinen Rantakatu 68  
Asunto Oy Turun Purseripuisto  
Asunto Oy Turun Merimiehenkatu 7  
Asunto Oy Vantaan Kulonpohja  
Asunto Oy Vantaan Lähettilääntie 1  
Asunto Oy Vantaan Martinteeri  
Asunto Oy Vantaan Neilikkatie 15  
Asunto Oy Vantaan Tikkurilan Verso  
Dynamo Business Park Oy  
Jalava-Kodit Oy  
Kampintalo Oy  
Kiinteistö Oy Annankatu 32  
Kiinteistö Oy Dynamo  
Kiinteistö Oy Espoon Revontulentie 7  
Kiinteistö Oy Espoon Swing Plus A  
Kiinteistö Oy Espoon Swing Plus C  
Kiinteistö Oy Espoon Tietäjätie 14  
Kiinteistö Oy Haapaniemenkatu 5  
Kiinteistö Oy Hauki  
Kiinteistö Oy Helsingin Erottajankulma  
Kiinteistö Oy Helsingin Paperitie 7  
Kiinteistö Oy Helsinki-Vantaa Logistics Center 1

Kiinteistö Oy Hotelli KeurusselkäKiinteistö Oy Järvenkynnys  
Kiinteistö Oy Kaartinkaupungin Helmi  
Kiinteistö Oy Kampinmäki  
Kiinteistö Oy Kasarmintorin Kauppakeskus  
Kiinteistö Oy Kouvolan Tapiola  
Kiinteistö Oy Kuparitalo 1  
Kiinteistö Oy Kyttälän Keskus  
Kiinteistö Oy Linnanrakentajantie 4  
Kiinteistö Oy Martinsillantie 2 a  
Kiinteistö Oy Oulun Cinematori  
Kiinteistö Oy Oulun Hotellitorni  
Kiinteistö Oy Pendoliino  
Kiinteistö Oy Pitkäsillanranta 3  
Kiinteistö Oy Rauman Hakunintie 12  
Kiinteistö Oy Rauman Hakunintie 26  
Kiinteistö Oy Robert Huberin tie 7  
Kiinteistö Oy Stella Nova  
Kiinteistö Oy Stella Solaris  
Kiinteistö Oy Tampereen Hämeenkatu 7  
Kiinteistö Oy Tampereen Tornihotelli  
Kiinteistö Oy Tapiolankynnys  
Kiinteistö Oy Turun Ovakonkatu 2  
Kiinteistö Oy Valimontie 27  
Kiinteistö Oy Vantaan Hakintie 7  
Kiinteistö Oy Vantaan Rajatorpantie 8  
Kiinteistö Oy Vantaanportin Maamerkki  
Kiinteistö Oy Vantaanportin Seisake  
Kiinteistö Oy Verkko  
Kokkokallion Pysäköinti Oy  
Lappeenrannan Kulmatalo Oy  
Lehmus-Kodit Oy  
Probus Holding Oy  
Asunto Oy Helsingin Hiekkalaituri  
Asunto Oy Kuopion Lakeissuontie 5

Asunto Oy Sodankylän Kaivola  
Asunto Oy Vuohelmi Helsinki  
Avara Arterius Oy  
Avara Aptus Oy  
Avara Artus Oy  
Avara Domus Oy  
Avara Orientis Oy  
Avara Probus Oy  
Kiinteistö Oy Levin Kätkänkiisa  
Kiinteistö Oy Ollinrinne  
Simonkentän Hotellikiinteistö Oy  
Tammi-Kodit GP Oy  
Tammi-Kodit Ky  
Asunto Oy Kangasalan Fennintie 15  
Asunto Oy Nokian Hinttalankatu 12  
Asunto Oy Raision Kerttulantie 18  
Asunto Oy Raision Kruunuvoudinkatu  
Asunto Oy Raision Martinkatu 5 ja 7  
Asunto Oy Tampereen Aapelinraitti 3  
Asunto Oy Tampereen Aapelinraitti 5  
Asunto Oy Tampereen Aapelinraitti 7  
Asunto Oy Tampereen Alasniitynkatu 23  
Asunto Oy Tampereen Hussankatu 31  
Asunto Oy Tampereen Insinöörintie 80  
Asunto Oy Tampereen Junailijankatu 1  
Asunto Oy Tampereen Melakatu 5  
Asunto Oy Tampereen Oraskuja  
Asunto Oy Tampereen Peltovainionkatu 16  
Asunto Oy Tampereen Uittotunnelinkatu  
Asunto Oy Tampereen Vaakonraitti 8  
Asunto Oy Tampereen Vestonkatu 59  
Asunto Oy Tampereen Vestonkatu 67  
Asunto Oy Ylöjärven Asemantie 10

# Elo's risk management

## Risk management as part of internal control

Elo's risk management is part of the company's internal control. The purpose of internal control is to provide a sufficient certainty that the company

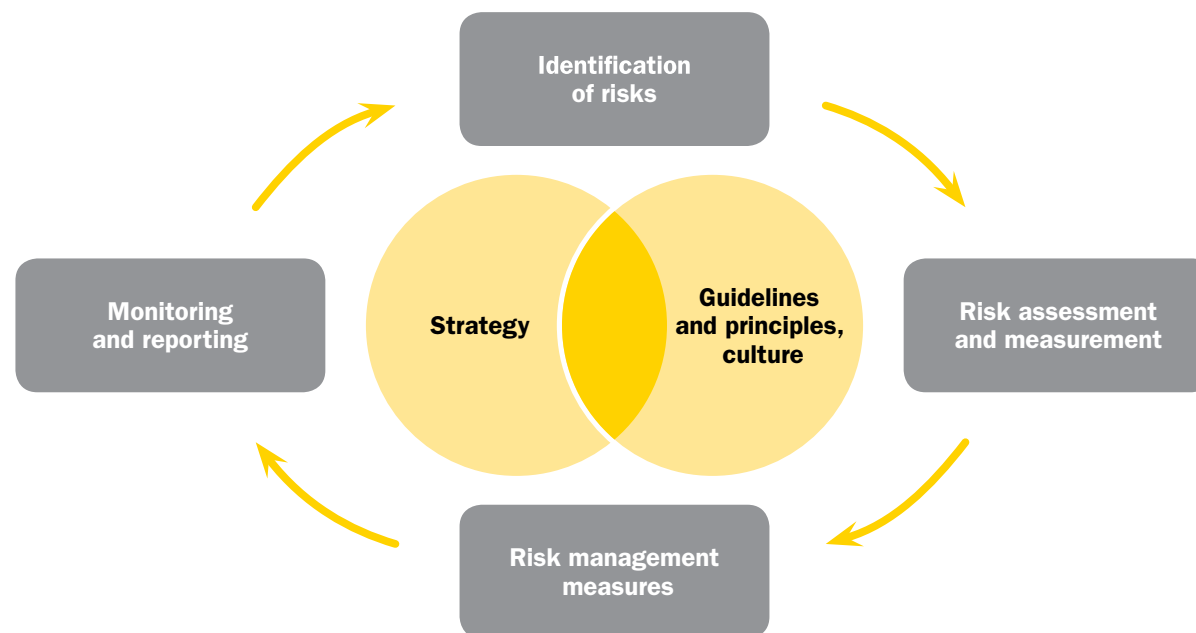
- operates economically, efficiently and profitably;
- achieves the established objectives and goals;
- complies with legislation, regulations, policies, decisions of the administrative organs, internal plans, rules and procedures;
- manages operational risks; and
- that reporting and other management information is reliable

The arrangement of Elo's risk management is based on compliance with the regulations issued by the authorities and the aim of developing towards the best European practices of risk management. Risk management ensures the continuity of operations in different situations and supports the company in achieving the operational objectives and competitive edge.

In accordance with Elo's principles, risk management shall be comprehensive and cover all risk types and parts of the organisation. Similarly, risk management processes shall be systematic and continuous, as well as continuously evolve. A comprehensive risk management process comprises the following phases: risk identification, risk measurement and assessment, procedures to change the risk position and prepare for risks, and monitoring, supervision and reporting of risks.

Risk management must in particular cover the risks associated with the management of assets and liabilities, investments, solvency, concentration risk, operational risks, strategic risk, reputation risk, interaction of individual risks, and external risks.

## Risk management process



Risk-bearing capacity is the amount of risk that the company can take to implement the strategy and achieve the business objectives. The key indicator of risk-bearing capacity is the company's solvency, which prepares for both investment risks and actuarial risks for which the company is liable. The company's risk-bearing capacity is also influenced by the quality of the company's management system and risk management. High-quality and reliable

governance, internal control and risk management increase the company's risk-bearing capacity.

Risk appetite is the amount of risk that the company is willing to take to meet its business objectives. Diverse risks are taken within the limits specified by the Board of Directors and they are dimensioned so as to not compromise the company's operations or stability. The most essential decision on the company's risk appetite concerns the risk exposure of the company's investments and solvency management.

## Organisation of risk management

The responsibilities for the company's risk management and the duties of the different parties are described using three risk management levels (or "defence lines") at Elo.

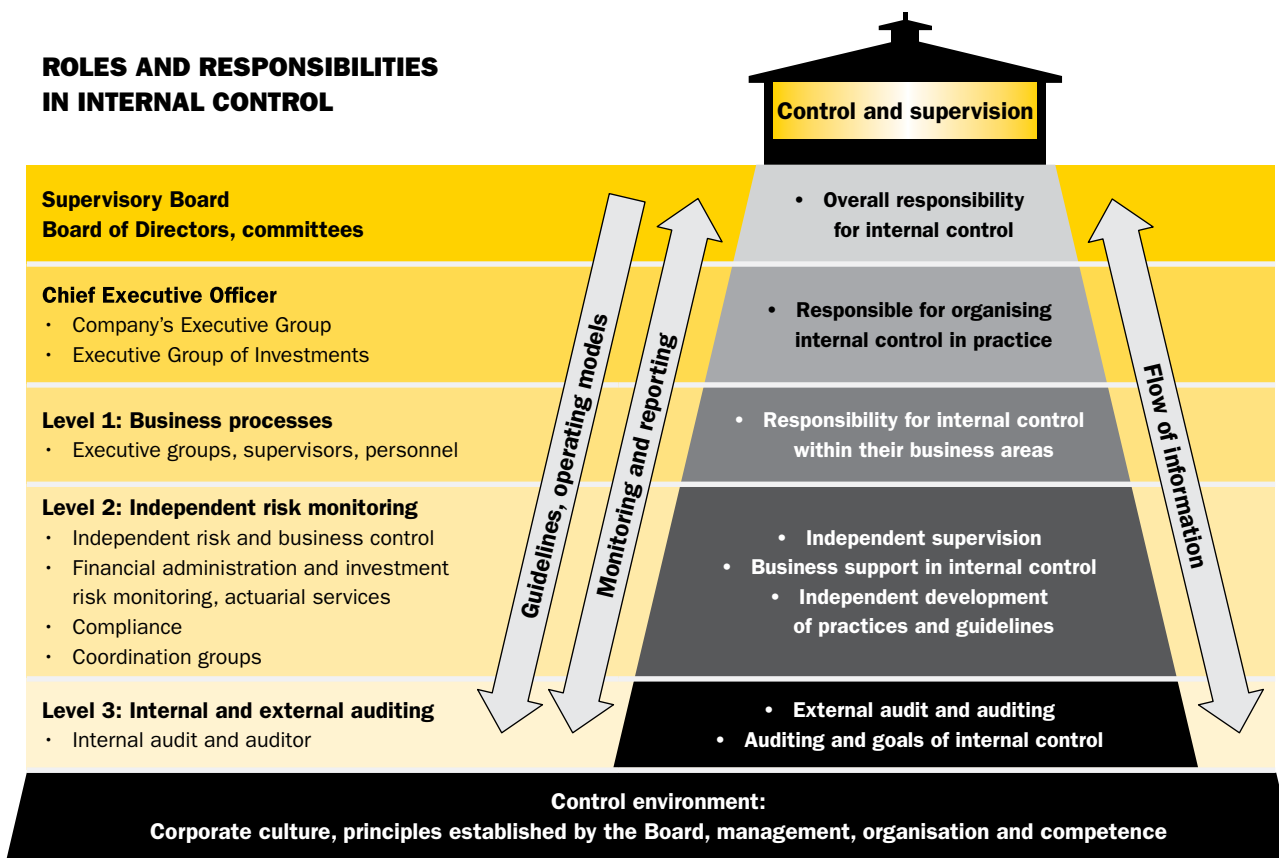
The Board of Directors decides on the company's strategy and business objectives. Elo's Board of Directors bears overall responsibility for the organisation of risk management. The Board of Directors confirms the general risk management principles, allocation of responsibilities and key policies. The Board of Directors annually confirms the risk-related objectives and restrictions in more detail in the risk management plan and, with regard to investments, in the investment plan. Elo's own risk and solvency assessment (ORSA) was drafted in autumn 2017 for the Board of Directors to confirm. In the future, it will be prepared annually. The risk and solvency assessment compiles different estimates and analyses of the risks with material impacts on the company's operations and their management. The ORSA is part of the company's strategic decision-making, risk management system and preparation of the investment plan, and thereby it supports the decision-making of the Board of Directors.

Business objectives can also include risk-related objectives, indicators and restrictions. Matters relating to risk management are also reviewed by the Audit Committee of the Board of Directors.

The Board of Directors regularly monitors the state of the company's risk management and the development of key risks. Solvency and investment risks are reported to the Board of Directors in a standard format each month, with somewhat more extensive reports submitted quarterly. Operational risks are reported on to the Board of Directors approximately once a quarter. The company's overall risk position is assessed annually and a risk management plan is prepared for the Board of Directors to confirm, in addition to which the overall situation of risks and risk management is reported every six months.

The company's CEO answers to the Board of Directors for the operations of the company, including the company's risks and organisation of risk management.

## ROLES AND RESPONSIBILITIES IN INTERNAL CONTROL



At the first level of risk management, the directors of business functions are responsible to the CEO for the business and operational risks of their area of responsibility and the implementation of the required risk management measures, compliance with the company's risk management policy, risk management plan and risk management guidelines, as well as for monitoring risks.

The second level of risk management comprises independent risk monitoring functions. The company's central independent risk monitoring function is the Risk and Business Control unit, which assesses the state of the company's risks and risk management as a whole, supports the development of risk management and, among other things, prepares the company's risk management plan

for the Board of Directors to approve. In addition, there are separate functions carrying out independent control in certain areas of risks. The monitoring and reporting of solvency and investment risks is carried out by the Finance and Investment Risk Supervision unit. Actuarial Services monitor actuarial risks and, for its own part, solvency. The duties of the Compliance function, which is part of Legal Affairs, include independent monitoring of compliance with legislation and other external and internal rules pertaining to operations, as well as supporting the Board of Directors in organising reliable administration. The Compliance function is a business support unit: the function identifies and foresees negative impacts associated with non-compliance.

The third level comprises internal auditing and external auditing. Internal auditing assesses the adequacy and efficiency of the risk management processes by issuing recommendations for improving them and by consulting in their development. Audit assesses the adequacy of the risk management process from the point of view of the reliability of the financial statements.

To implement risk management, the company has risk management coordination groups in the fields of overall risk management, solvency and investment risk management and security.

### **Classification and general principles of risk management**

Elo's risk management planning and documentation uses a three-fold classification for risks:

- strategic risks
- financial risks and
- operational risks.

Strategic risks include risks associated with the choices of strategic intent or changes in the market position, competitive situation or customer behaviour, as well as risks associated with general economic development. Depending on the situation, a financial or operational risk can become a strategic risk. Financial risks are most essentially connected to solvency and risks of investment operations, risk concentrations, the company's business expenses, liquidity and risks of insurance operations. Operational risks refer to risks arising from processes, personnel, information systems or external factors. Legal risks and compliance risks are also addressed in connection with operational risks.

In accordance with the risk management principles, Elo pursues a corporate culture in which internal control and risk management are a self-evident part of all operations, management system and day-to-day decision-making. The corporate culture based on the company's openness and trust also supports risk management. The starting point in all situations is to safeguard the company's solvency and liquidity.

### **Financial risks**

#### **Solvency**

In an employment pension company, the most significant risk in terms of impact concerns a considerable impairment of solvency, which can happen if the investment risks are realised or if the investments fall significantly short of the return requirement concerning the technical provisions. Elo aims to invest profitably and responsibly and to safeguard solvency. Investment operations are guided with principles included in the investment plan. The risks of investment operations are analysed within the solvency framework set by the authorities and using the company's internal risk models. The riskiness of the investments influences the required amount of solvency capital. Investment operations are also burdened by the investment plan's risk distributing constraints, return requirement concerning the technical provisions and the requirement for safeguarding solvency.

Solvency capital is used for buffering against fluctuations in the employment pension company's investment assets and insurance business. The starting point in the management of investment risks is that the company's solvency is safeguarded with sufficient probability. The solvency capital must be high enough to cover expected fluctuations in the values and returns of the assets covering the technical provisions. The overall risk is dimensioned so as to keep the solvency capital in proportion to solvency requirement at a safe level also if the risks materialise.

An employment pension company is responsible for both current and future pensions. The liabilities are long-term, and therefore investment operations must have a long-term perspective and be safe. Returns require taking risks, and the company dimensions its risk appetite according to the risk-bearing capacity at each time.

As of the beginning of 2013, the purpose of the equalisation provision included in solvency capital is to cover possible losses in the insurance business. Other solvency capital, primarily the unallocated collective buffer fund and investment valuation items, is intended to function as a buffer in case of any losses from investment

operations. If the returns from investment operations exceed the return required for the technical provisions, the excess part increases the solvency capital. If the returns from investment operations fall short of the required return, a corresponding amount of accrued solvency capital is reversed. In the pension reform of 2017, the equalisation provision as a separate item was waived and the equalisation provision was transferred to provision for future bonuses, which is included in solvency capital, in the beginning of 2017.

Elo's solvency is monitored with the solvency framework specified by the authorities. The key reported solvency figures are solvency capital, solvency ratio and solvency position.

Solvency is also monitored using models developed by the company, intended to illustrate the actual risk of the investments in more detail than the official framework. The models are used for making solvency sensitivity analyses, monitoring the development of risk figures and assessing the future development of solvency utilising diverse economic scenarios.

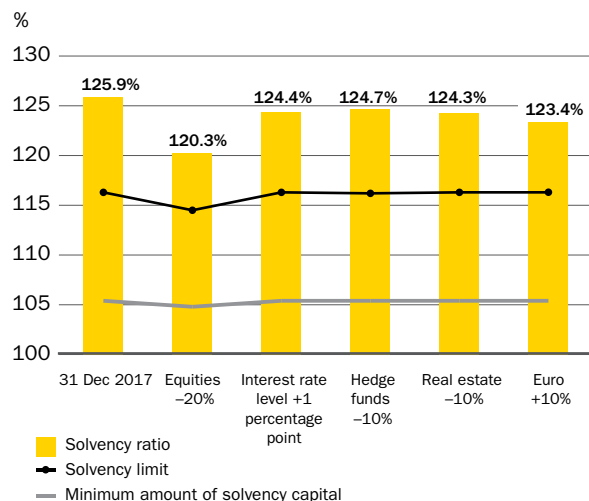
The scenario model used at Elo, which supports risk management and supplements solvency management, is based on actual economic indicators and their mutual connections. The Finnish private sector employment pension system's solvency framework is implemented in the model, and it aims to consider the actuarial special features of the system. The scenario model is based on a comprehensive analysis of historic parameters, which aims to create possible and essential scenarios impacting solvency.

Elo's solvency position at the end of 2017 was EUR 4,815.5 million and its ratio to the technical provisions used in solvency calculations was 125.9%. The solvency limit was EUR 3,040.2 million. The solvency capital was 1.6 times the solvency limit.

The stress reviews the impact of individual risk components on solvency. The returns of asset classes other than those stressed are assumed to remain unchanged.



**Solvency sensitivity analysis 31 December 2017**



**Investment risks**

Managing the risks of investment operations is part of Elo’s core processes and an essential part of the investment strategy. Constraints and allocation goals describing the company’s investment strategy and objectives are set for the risks so that the company’s solvency will not be compromised at an acceptable solvency level.

The investment plan annually confirmed by the Board of Directors specifies, among other things,

- Principles and strategic objectives of the company’s investment operations
- Risk management-related objectives and risk appetite, constraints concerning, for example, allocation and liquidity
- Principles of use of derivative instruments
- The basic allocation (breakdown of investments by asset class), the return objectives and authorisations can deviate in the basic allocation
- Key investment-related risks, such as market, credit and liquidity risk
- Principles of use of derivative instruments

The limits and decision-making authorisations included in the investment plan aim to ensure the sufficient distribution of the risks of investments and avoid concentration risks. Investment reports and monitoring of limits are realised regardless of the investment function.

Elo uses an in-house analysis model that includes expected returns, deviations and interdependencies of investment types in decision-making relating to investment classes and planning the allocation of asset classes. The general development of solvency in the employment pension insurance sector is also taken into consideration in the calculation. The model is used for reviewing diverse allocations and market situations so that the best return facilitated by the company’s solvency can be probably

achieved during the period under review. Markets and the investment environment are continuously monitored and risk-taking opportunities are considered every time when determining the risk appetite.

The key risks from the point of view of investment operations are market risks, credit and counterparty risks, liquidity risk and operational risks. Market risks refer to the possibility of losses from investments due to changes in market prices or volatility. Market risks include risks arising from changes in the value of shares, interest rates, exchange rates, commodities and real estate.

The market risk of equity investments arises from changes in share prices in the market. This “systematic” share risk can emerge due to changes in the general economic situation and sudden market disruptions. The risk of shares not depending on the market, such

**Breakdown and return from investment operations 31 December 2017**

	Basic allocation by market value		Actual risk position		Return	Return incl. currency hedges	Volatility
	EUR million	%	EUR million	%	%	%	%
<b>Fixed-income investments</b>	<b>8,834.2</b>	<b>38.3</b>	<b>8,196.7</b>	<b>35.6</b>	<b>-1.8</b>	<b>1.4</b>	
Loans	553.7	2.4	553.7	2.4	2.6	2.6	
Bonds	7,189.5	31.2	7,241.7	31.4	-2.3	1.5	2.6
Bonds of public corporations	3,548.9	15.4	3,624.8	15.7	-5.7	-0.6	
Bonds of other corporations	3,640.6	15.8	3,616.9	15.7	1.1	3.5	
Other money market instruments and deposits incl. any receivables and liabilities related to investments	1,091.0	4.7	401.3	1.7	-1.0	0.5	
<b>Equities</b>	<b>9,142.8</b>	<b>39.7</b>	<b>10,097.7</b>	<b>43.8</b>	<b>12.8</b>	<b>16.6</b>	
	7						
Listed equities	208.1	31.3	8,163.0	35.4	13.6	17.0	8.6
Private equity investments	1,584.0	6.9	1,584.0	6.9	9.2	14.9	
Unlisted equity investments	350.8	1.5	350.8	1.5	14.4	14.4	
<b>Real estate</b>	<b>2,811.8</b>	<b>12.2</b>	<b>2,811.8</b>	<b>12.2</b>	<b>7.0</b>	<b>7.6</b>	
Direct real estate investments	2,064.8	9.0	2,064.8	9.0	7.4	7.4	
Real estate funds and joint investment companies	747.0	3.2	747.0	3.2	5.8	8.2	
<b>Other investments</b>	<b>2,263.9</b>	<b>9.8</b>	<b>2,264.4</b>	<b>9.8</b>	<b>26.3</b>	<b>1.9</b>	
Hedge fund investments	2,198.3	9.5	2,198.3	9.5	-2.5	1.9	2.9
Commodity investments	0.0	0.0	0.0	0.0	-	-	
Other investments	65.6	0.3	66.0	0.3	-	-	
<b>Total investments</b>	<b>23,052.8</b>	<b>100.0</b>	<b>23,370.6</b>	<b>101.4</b>	<b>7.4</b>	<b>7.4</b>	<b>2.7</b>
Effect of derivatives			-317.9	-1.4			
<b>Total investments</b>	<b>23,052.8</b>	<b>100.0</b>	<b>23,052.8</b>	<b>100.0</b>			

In the Return incl. currency hedges column, the return from foreign currency derivatives is estimated in proportion to the foreign currency-denominated assets on the reporting date. The overall return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 3.7 years. The open currency exposure is 19.7% of market value.



## Risk Management

as risk inherent in an individual company or industry, is unsystematic risk. The unsystematic risk of shares can be decreased by allocating investments to several investments, different industries and several geographical areas. The risk inherent in shares can be limited by hedging share and share index derivatives.

Interest risk arises from the effect of general interest rates and credit risk margins on fixed income investments. Interest risk is managed by changing the allocation of investments on the interest curve within the investment limits and with cash investments and derivatives. Credit risk is managed by allocating investments to different industries, credit ratings and geographically. The credit risk of bonds is managed both by limiting individual investments by credit rating and the combined share of a specific credit rating of the bond portfolio. To manage the counterparty risk of OTC derivatives, Elo uses ISDA-approved standard contracts and limits the amount of open counterparty risk by a collateral procedure.

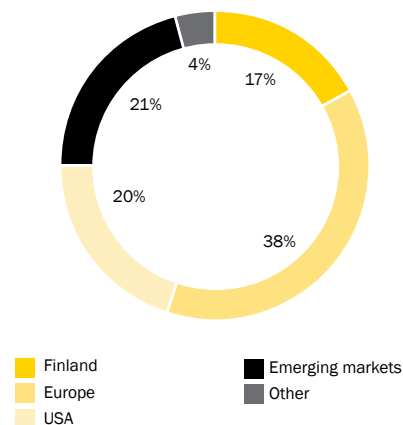
The risks of Elo's investments are continuously monitored by a party independent of investment operations. Market risks are managed by regular stress tests and return calculations in different scenarios and maximum loss calculations, among other measures. Regular reporting and monitoring also includes reviewing risk indicators typical of an asset class or investment.

### Insurance risks

The insurance contributions and the technical provisions include a component corresponding to business under the company's own responsibility and a component corresponding to business under the joint responsibility of pension institutions.

Key insurance risks emerge from deviations in the forecasts used in determining the contributions from the actual expenditure, especially with regard to new pensions granted and other similar expenses. In determining the grounds of technical provisions, key insurance risks arise from the duration of pensions deviating from the forecasts in the long term. The bases of contributions and technical provisions meeting the securing requirements are the

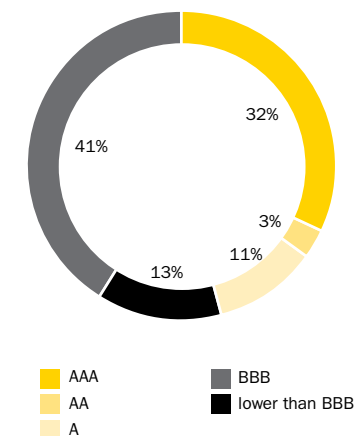
### Geographical distribution of quoted equity investments 31 December 2017



same for all employment pension insurers, and they are ratified by the Ministry of Social Affairs and Health. Their appropriateness is examined by the Finnish Pension Alliance Tela's calculation basis division and its subgroups. The law requires cooperation between companies in developing the calculation bases. Each company annually prepares adequacy analyses of risk bases. The common bases involve the risk of an individual company's result theoretically being systematically worse than that of other companies, for example due to the sector breakdown of the company's insured companies differing from other companies. The structure of the insurance portfolio can also lead to a similar situation with regard to the expense loading of the pooled premiums.

Employment pension companies jointly prepare and apply for the bases of the insurance contributions, technical provisions and return requirement. Elo takes part in the preparation of the calculation bases under the supervision of the Appointed Actuary. Cooperation between employment pension insurers is statutory.

### Credit rating distribution of bonds 31 December 2017



Pension insurance pursuant to the TyEL insurance accounted for the majority of the underwriting result for which Elo is liable. In addition, the company had supplementary pension insurance policies under the Employees' Pensions Act (TEL) and self-employed persons' pension insurance (YEL) policies.

### Pension insurance under TyEL

In pension insurance under TyEL, the company's risks are connected to old-age pensions, disability pensions and credit losses from insurance contributions. Family pensions and part-time pensions do not have a component for which the company is liable.

The company's old-age pension risk is in the insured and pensioners living longer than assumed in the calculation bases. However, the risk is significantly decreased by the fact that the basis amendments associated with the general increase in life expectations being under joint responsibility and compensated for from the equalisation provision.

The risks in the disability pension business are related to the adequacy of the premiums written to meet the expenses

of pension cases. If the expenditure of disability pensions increases, the next calculation basis will be adjusted upwards. However, the company is liable for the risk deviating from the average. The pricing for large employers depends on their contribution category, and the company's risk lies in the years on which the pricing is based, with a delay of several years, being no longer indicative of the policyholder's actual disability risk. An additional risk is that if the contribution category increases, the policyholder moves to another company, in which case the provisions remaining with the company must be sufficient to cover future disability expenditure.

The company is liable for the credit losses relating to unpaid contributions. Insurance contributions include a contribution loss component intended to cover this risk. Here, too, the company's risk is related to how well the contribution loss component reflects the actual risk of the insurance.

Risks related to the insurance business are prepared for with the solvency capital and equalisation provision. The company-specific risk result has a direct impact on the solvency capital. A positive pooled underwriting result is added to the equalisation provision, while a negative result is covered from it. The company does not have a need for reinsuring risks.

An employment pension company cannot influence old-age pensions granted. Instead, the company promotes activities to promote working capacity. The aim is to take care of working capacity preventively so that it will not be necessary to grant disability pensions. The aim is to avoid unpaid contribution losses, even though the company cannot refuse granting an insurance policy applied for. With regard to existing insurance policies, effective debt collection aims to reduce unpaid contribution losses.

### **Supplementary pension insurance under TEL**

In supplementary pension insurance under TEL, the company has an operational responsibility, and funding is organised through the pay-as-you-go system.

### **Basic insurance under YEL**

Elo has liabilities for basic insurance under YEL only with regard to the operational component. The business is under pooled responsibility, and the state of Finland is ultimately liable for pensions.

### **Supplementary pension insurance under YEL**

Also in supplementary pension insurance under TEL, the company has an operational responsibility, and funding is organised through the pay-as-you-go system.

### **Pooled pension expenditure**

The pension institutions are jointly responsible for the unfunded pension expenditure. The share of the pooled pension expenditure being paid out each year is financed by an annually collected pooled component contained in the TyEL contribution and provision for pooled claims. The annual pension expenditure is buffered through the provision for pooled claims included in the company's technical provisions. The financing of pooled pensions does not cause risks to an individual pension institution; the risk inherent in financing them is carried out by the insured and policyholders. However, the company has operational responsibility for pooled pensions.

### **Other financial risks**

Liquidity risk refers to the weakening of the company's own liquidity and the insufficiency of liquid assets to cover expenditure. The management of liquidity risk is based on forecasting incoming and outgoing payments over different time spans and considering the liquidity requirement in the structure of the investment portfolio. Liquidity management is made easier by accurate forecasting of monthly payments of pensions.

The model risk is related to the models used in decision-making, which are very simplified descriptions of reality. Model risk is managed, among other things, by testing the results with different data and assumptions and the systematic evaluation and validation of the models to

obtain a sufficiently deep and extensive understanding of the structure of the models and the assumptions.

The company's efficiency and operating expenses involve a risk of managing the company's operating expenses. The management of operating expenses is included in the management and supervision of the company's operations in projects as well as day-to-day business.

Concentration risk may be caused by extensive transactions with a single counterparty or investments in a single industry. The risk is managed by limiting concentrations, such as through investment allocation objectives.

### **Operational risks**

Operational risk refers to the risk caused by failed operations. At Elo, operational risks are classified into process, personnel and information system risks and risks caused by external factors, based on the cause. Legal risks, reputation risks and compliance risks are also addressed in connection with operational risks.

It is not possible or appropriate to hedge against all operational risks. The aim is to create a comprehensive and systematic risk management system that can reduce the probabilities or impacts of operational risks and ensure the continuity of business operations.

Elo's most significant operational risks are associated with information systems and competence of personnel. Among other things, correct and timely payment of pensions and securing investment operations and solvency are critical processes for an employment pension insurer, requiring flawless operation of information systems and extensive expertise of employees. The risks of ICT projects are managed through project management related methods, such as the careful planning and testing of projects. Identifying the risks of the systems used in advance is part of the risk survey. Deviations are monitored and addressed immediately. Information system risks are regularly monitored by the project and information management coordination team that comprises representatives of Elo's different processes and units. Personnel risk is managed

through coordinated personnel planning, including deputy planning, investments in managerial work and competence surveys, among other things. No significant personnel or process risks realised during 2017.

Elo is subject to a statutory obligation to prepare for different circumstances to ensure the continuity of operations. The company's different functions are subject to a continuity plan that describes procedures in case of a blackout or data communication disruption. A back-up premise plan addresses incidents concerning the office building. Recovery plans have been drafted for the key information systems. There are regular exercises concerning the plans. Elo also takes part in joint exercises with other companies in the industry. The purpose of continuity planning is to create the preconditions for managing special situations and as controlled and fluent recovery as possible. In particular, continuity planning aims to ensure that citizens' livelihood, i.e. the payment and financing of pensions, is secured in all circumstances.

Key processes of operational risk management include risk surveys (advance identification and assessment of risks) and monitoring of incidents (actual cases and near misses). In risk surveys facilitated by the independent risk control unit twice a year, the business identifies the operational risks related to its activities, assesses their impact and specifies adequate control and management measures whose implementation is regularly monitored. The methods of recording and monitoring incidents (realised risk or near miss situation) are well-established. Incidents are regularly monitored by the executive groups, project and information management coordination team and risk management coordination team. In addition, an incident analysis is reported to the Board of Directors, primarily on a quarterly basis as part of operational reporting. The results of risk surveys and incident monitoring are utilised in operational planning of processes and units as well as in preparing the company's risk management plan.

### **Strategic risks**

Elo's strategic risks and required measures are assessed in connection with Elo's operational planning (strategic or annual planning) and related risk management planning. The identification of strategic risks and planning of risk management methods are based on the managerial experience of the company's management. In 2016, Elo's most significant strategic risks were related to investment operations and solvency management, the competitive situation and cooperation with partners. The risk and solvency estimate confirmed by the Board of Directors is a central part of the company's strategy and risk management process.

### **Outsourced functions**

Elo is responsible for the risks of its outsourced services towards its customers in the same way as for the risks of in-house services. Key external service providers include ICT suppliers (such as Otso and Tieto) and strategic distribution channel partners (LocalTapiola and Fennia). The risk management of outsourced services considers, e.g., the clarity and transparency of the client-supplier model, clear agreement of responsibilities and service content and ensuring the services. The outsourcing principles confirmed by Elo's Board of Directors are followed in outsourcing.

# Board of Director's Proposal on the Disposal of Profit

The Board of Directors proposes that the financial year surplus of 5,068.64 euro be transferred to the contingency fund. Elo has no guarantee capital.

## Signatures for the Board of Directors' report and financial statements 31 December 2017

Espoo 12 March 2018

BOARD OF DIRECTORS

Eeva-Liisa Inkeroinen

Ann Selin

Antti Aho

Jari Karlson

Antti Kuljukka

Janne Makkula

Jorma Malinen

Marjo Matikainen-Kallström

Erkki Moisander

Olavi Nieminen

Susa Nikula

Niklas Sonkin

Satu Huber  
CEO

Mikko Karpoja  
Fellow of the Actuarial Society of Finland,  
Actuary in accordance with Chapter 18,  
Section 8 of the Insurance  
Companies Act

# Key figures

## Key figures for financial development

Elo Mutual Pension Insurance Company was established on 1 January 2014, when Mutual Insurance Company Pension Fennia was merged with LocalTapiola Mutual Pension Insurance Company. The figures for 2012–2013 used for comparison purposes in Elo's key figures are those for LocalTapiola Mutual Pension Insurance Company.

The concepts in the key figure tables are the same as in the profit and loss account and balance sheet, unless otherwise specified. As each of the figures is rounded, they will not necessarily add up to the final sum given.

### Summary of key figures

	2017	2016	2015	2014	2013
Premiums written, EUR million	3,510.8	3,321.5	3,157.1	3,022.9	1,602.7
Pensions paid to pension recipients, EUR million <sup>*)</sup>	3,134.6	2,982.0	2,857.6	2,731.9	1,490.4
Pensions paid and other compensations <sup>1)</sup>	3,444.2	3,310.7	3,146.8	3,057.0	1,598.5
Net investment income at current value, EUR million <sup>6)</sup>	1,607.6	1,147.4	990.1	1,163.8	544.3
Net investment income on capital employed, % <sup>6)</sup>	7.4 %	5.6 %	5.0 %	6.2 %	5.4 %
Turnover, EUR million	5,174.8	4,116.3	4,041.2	4,067.0	2,066.5
Total operating expenses, EUR million	134.6	129.9	126.3	128.3	68.5
Total operating expenses % of turnover	2.6 %	3.2 %	3.1 %	3.2 %	3.3 %
Operating expenses covered by expense loading % of TyEL payroll and YEL reported earnings	0.7 %	0.7 %	0.7 %	0.7 %	0.7 %
Total result, EUR million	608.5	333.8	29.9	362.5	70.2
Technical provisions, EUR million	18,628.4	18,527.4	17,849.7	17,078.6	9,236.2
Solvency capital, EUR million <sup>2)</sup>	4,815.5	4,270.9	4,042.1	4,084.0	2,123.0
ratio to the solvency limit	1.6	1.8	2.0	2.1	1.9
Pension assets, EUR million <sup>3)</sup>	23,443.9	21,825.3	20,772.1	19,869.4	10,558.2
% of technical provisions <sup>3)</sup>	125.9 %	124.3 %	124.1 %	125.8 %	125.1 %
Transfer to client bonuses (%), % of TyEL payroll <sup>4)</sup>	0.57 %	0.49 %	0.52 %	0.51 %	0.48 %
TyEL payroll, EUR million	12,717.0	11,943.7	11,258.1	11,025.9	6,054.2
Confirmed YEL income, EUR million	1,824.2	1,861.6	1,888.0	1,937.1	1,050.5
No. of TyEL insurance policies <sup>5)</sup>	45,061	45,149	46,015	46,103	26,265
No. of TyEL insurance policyholders <sup>6)</sup>	424,461	407,622	398,217	398,079	219,133
No. of YEL insurance policies	83,978	84,578	85,054	87,350	51,953
No. of pension recipients	227,212	219,725	216,769	217,443	125,266

\* Pensions and other compensation paid to pension recipients

<sup>1)</sup> Claims paid as shown in the income statement without expense loading components available for claims and working ability maintenance

<sup>2)</sup> Calculated in accordance with the regulations in force at each time (the same principle also applies to other solvency indicators)

<sup>3)</sup> Technical provisions pursuant to section 11, paragraph 10 of the Ministry of Social Affairs and Health's Decree (614/2008) + solvency capital. Until 2016, technical provisions + valuation differences.

<sup>4)</sup> Rounded to the nearest two decimal places

<sup>5)</sup> Insurances of employers that have made an insurance contract

<sup>6)</sup> Comparison periods have been converted to correspond to current calculation practice

## INVESTMENT DISTRIBUTION

Investment distribution  
at current value

	Basic distribution				Risk distribution <sup>8)</sup>					
	31.12.2017		31.12.2016		31.12.2017		31.12.2016	31.12.2015	31.12.2014	31.12.2013
	EUR million	%	EUR million	%	EUR million	% <sup>10)</sup>	% <sup>10)</sup>	% <sup>10)</sup>	% <sup>10)</sup>	% <sup>10)</sup>
<b>Fixed-income investments, total</b>	<b>8,834.2</b>	<b>38.3</b>	<b>8,352.2</b>	<b>38.8</b>	<b>8,196.7</b>	<b>35.6</b>	<b>37.4</b>	<b>39.1</b>	<b>42.3</b>	<b>44.3</b>
Loan receivables <sup>4)</sup>	553.7	2.4	469.1	2.2	553.7	2.4	2.2	2.9	3.0	2.9
Bonds	7,189.5	31.2	7,265.4	33.8	7,241.7	31.4	33.8	33.9	34.7	36.1
Other money market instruments and deposits <sup>1),2)</sup>	1,091.0	4.7	617.7	2.9	401.3	1.7	1.5	2.4	4.6	5.3
<b>Equity investments, total</b>	<b>9,142.8</b>	<b>39.7</b>	<b>7,435.5</b>	<b>34.6</b>	<b>10,097.7</b>	<b>43.8</b>	<b>38.0</b>	<b>35.9</b>	<b>35.3</b>	<b>34.9</b>
Listed equities <sup>3)</sup>	7,208.1	31.3	5,831.6	27.1	8,163.0	35.4	30.5	29.5	30.0	30.0
Private equity investments <sup>4)</sup>	1,584.0	6.9	1,289.8	6.0	1,584.0	6.9	6.0	5.0	3.9	4.1
Unlisted equities and shares <sup>5)</sup>	350.8	1.5	314.2	1.5	350.8	1.5	1.5	1.4	1.4	0.8
<b>Real estate investments</b>	<b>2,811.8</b>	<b>12.2</b>	<b>2,855.9</b>	<b>13.3</b>	<b>2,811.8</b>	<b>12.2</b>	<b>13.3</b>	<b>13.7</b>	<b>13.7</b>	<b>13.2</b>
Direct real estate investments	2,064.8	9.0	2,125.5	9.9	2,064.8	9.0	9.9	10.5	11.0	10.3
Real estate funds and joint investments	747.0	3.2	730.4	3.4	747.0	3.2	3.4	3.2	2.7	2.9
<b>Other investments</b>	<b>2,263.9</b>	<b>9.8</b>	<b>2,863.7</b>	<b>13.3</b>	<b>2,264.4</b>	<b>9.8</b>	<b>14.7</b>	<b>14.7</b>	<b>10.2</b>	<b>8.4</b>
Hedge fund investments <sup>6)</sup>	2,198.3	9.5	2,862.7	13.3	2,198.3	9.5	13.3	13.3	10.3	8.4
Commodity investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investments <sup>7)</sup>	65.6	0.3	1.1	0.0	66.0	0.3	1.4	1.4	-0.1	0.0
<b>Investments, total</b>	<b>23,052.8</b>	<b>100.0</b>	<b>21,507.3</b>	<b>100.0</b>	<b>23,370.6</b>	<b>101.4</b>	<b>103.4</b>	<b>103.3</b>	<b>101.5</b>	<b>100.9</b>
Effect of derivatives <sup>9)</sup>					-317.9	-1.4	-3.4	-3.3	-1.5	-0.9
<b>Investments at current value, total</b>	<b>23,052.8</b>	<b>100.0</b>	<b>21,507.3</b>	<b>100.0</b>	<b>23,052.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Modified duration of bond portfolio</b>	<b>3.7</b>									

<sup>1)</sup> Includes accrued interest<sup>2)</sup> Includes cash at bank and in hand and purchase money claims and purchase money obligations<sup>3)</sup> Includes also mixed funds if these cannot be allocated elsewhere<sup>4)</sup> Includes private equity funds, mezzanine funds and also infrastructure investments<sup>5)</sup> Includes also unlisted real estate investment companies<sup>6)</sup> Includes all types of hedge fund investments regardless of the strategy of the fund<sup>7)</sup> Includes items that cannot be included in other investment classes<sup>8)</sup> Risk breakdown can be shown from reference periods as the knowledge accumulates (not with retroactive effect). If the numbers are shown from reference periods and the periods are not completely comparable, it must be informed.<sup>9)</sup> Includes the effect of derivatives on the difference between the risk distribution and the basic distribution. The effect of derivatives can be +/- . After the adjustment, the final sum of the risk distribution will equal that of the basic distribution.<sup>10)</sup> The proportion is calculated by using the total amount of the line "Total investments at current value" as the divisor.

## Net investment income on capital employed

Return EUR / % on capital employed	Net return form investment operations market value <sup>8)</sup>	Capital employed <sup>9)</sup>	Return, % on capital employed	Return, % on capital employed	Return, % on capital employed	Return, % on capital employed	Return, % on capital employed
	31.12.2017 milj. euroa	31.12.2017 milj.euroa	%	31.12.2016 %	31.12.2015 %	31.12.2014 %	31.12.2013 %
<b>Fixed-income investments, total</b>	<b>-162.9</b>	<b>8,927.0</b>	<b>-1.8</b>	<b>3.6</b>	<b>0.0</b>	<b>3.8</b>	<b>0.2</b>
Loan receivables <sup>1)</sup>	12.8	500.5	2.6	2.9	3.5	3.1	3.0
Bonds	-161.7	7,042.6	-2.3	4.1	-0.3	4.5	0.0
Other money market instruments and deposits <sup>1), 2)</sup>	-14.1	1,384.0	-1.0	0.0	0.1	0.2	-0.1
<b>Equity investments, total</b>	<b>982.3</b>	<b>7,646.0</b>	<b>12.8</b>	<b>9.3</b>	<b>13.0</b>	<b>9.8</b>	<b>14.1</b>
Listed equities <sup>3)</sup>	814.9	6,005.3	13.6	9.0	11.1	8.0	14.7
Private equity investments <sup>4)</sup>	122.9	1,331.3	9.2	9.6	20.4	18.9	10.7
Unlisted equities and shares <sup>5)</sup>	44.5	309.4	14.4	14.6	26.2	26.0	9.8
<b>Real estate investments</b>	<b>193.2</b>	<b>2,762.5</b>	<b>7.0</b>	<b>6.4</b>	<b>6.9</b>	<b>5.4</b>	<b>4.2</b>
Direct real estate investments	150.5	2,023.2	7.4	6.5	5.3	4.7	3.8
Real estate funds and joint investments	42.7	739.3	5.8	6.3	13.1	8.6	5.4
<b>Other investments</b>	<b>617.4</b>	<b>2,349.6</b>	<b>26.3</b>	<b>2.5</b>	<b>2.5</b>	<b>7.1</b>	<b>5.5</b>
Hedge fund investments <sup>6)</sup>	-68.0	2,669.9	-2.5	1.9	1.6	7.2	5.0
Commodity investments	2.5	-1.4	-	-	-	-	-
Other investments <sup>7)</sup>	682.9	-318.9	-	-	-	-	-
<b>Investments, total</b>	<b>1,630.0</b>	<b>21,685.1</b>	<b>7.5</b>	<b>5.6</b>	<b>5.1</b>	<b>6.3</b>	<b>5.5</b>
Unallocated return, expenses and operating expenses	-22.5	21,685.1	-0.1	-0.1	-0.1	-0.1	-0.1
<b>Net investment income at current value</b>	<b>1,607.6</b>	<b>21,685.1</b>	<b>7.4</b>	<b>5.6</b>	<b>5.0</b>	<b>6.2</b>	<b>5.4</b>

<sup>1)</sup> Includes accrued interest

<sup>2)</sup> Includes cash at bank and in hand and purchase money claims and purchase money obligations

<sup>3)</sup> Includes also mixed funds if these cannot be allocated elsewhere

<sup>4)</sup> Includes private equity funds, mezzanine funds and also infrastructure investments

<sup>5)</sup> Includes also unlisted real estate investment companies

<sup>6)</sup> Includes all types of hedge fund investments regardless of the strategy of the fund

<sup>7)</sup> Includes items that cannot be included in other investment classes

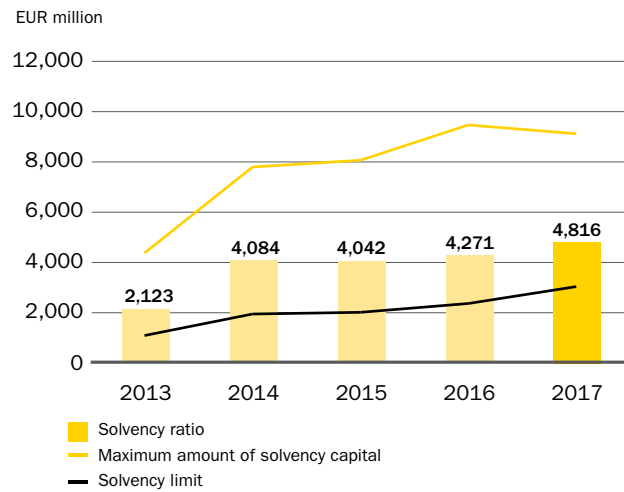
<sup>8)</sup> Change in market values at the end and beginning of the reporting period – cash

Cash refers to the difference between sales/returns and purchases/expenses

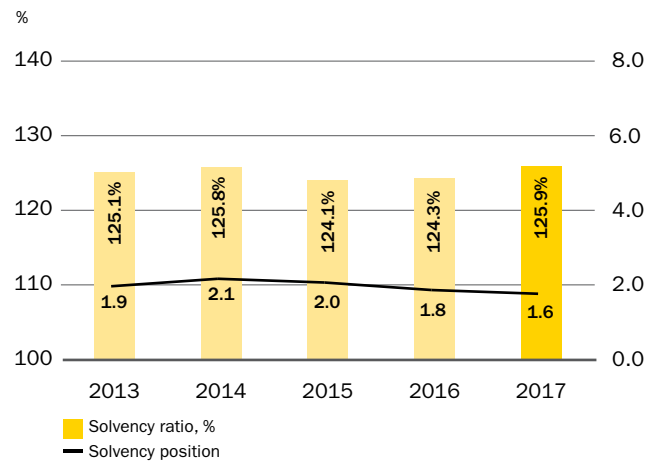
<sup>9)</sup> Capital employed = market value at beginning of reporting period + daily / monthly time-weighted cash flows

## Key Figures

### Solvency capital and its limits



### Solvency ratio and position



### Solvency capital and its limits

	2017	2016	2015	2014	2013
Solvency limit, EUR million	3,040.2	2,367.6	2,016.6	1,949.2	1,093.6
Maximum amount of solvency capital, EUR million	12,160.8	9,470.6	8,066.2	7,796.9	4,374.5
Solvency capital, EUR million	4,815.5	4,270.9	4,042.1	4,084.0	2,123.0
Solvency ratio % <sup>1)</sup>	125.9 %	124.3 %	124.1 %	125.8 %	125.1 %
Solvency position <sup>2)</sup>	1.6	1.8	2.0	2.1	1.9

<sup>1)</sup> Pension assets in relation to technical provisions as referred to in Section 11, item 10, of the Ministry of Social Affairs and Health's decree 614/2008. All years are presented according to the new presentation method.

<sup>2)</sup> Solvency capital in relation to solvency limit



**Performance analysis**

EUR million	2017	2016	2015	2014	2013
<b>Creation of result</b>					
Insurance business surplus/shortfall <sup>1)</sup>	-13.3	-47.7	-1.5	-11.3	-9.5
Result of investment operations at current value	592.7	349.3	-4.8	342.0	62.7
+ Net investment income at current value <sup>2)</sup>	1,607.6	1,147.4	990.1	1,163.8	544.3
– Required return for technical provisions	-1,014.9	-798.1	-994.8	-821.8	-481.6
Loading profit <sup>3)</sup>	23.3	29.1	36.2	31.8	17.0
Other income	5.8	3.2			
<b>Total result</b>	<b>608.5</b>	<b>333.8</b>	<b>29.9</b>	<b>362.5</b>	<b>70.2</b>
<b>Use of result</b>					
For change in solvency	536.4	275.1	-28.4	306.2	40.9
For change in equalisation provision included in solvency capital	0.0	-48.2	-1.6	-12.3	-10.1
For change in provision for future bonuses	568.9	-52.3	-158.5	163.5	-46.3
For change in valuation differences	-32.5	375.5	131.6	151.7	94.6
For accumulated appropriations	0.1	0.0	0.1	0.3	0.0
For profit for the year	0.0	0.0	0.0	2.9	2.6
For change in equalisation provision	0.0	0.5	0.2		
For transfer into customer bonuses	72.1	58.3	58.2	56.4	29.3
<b>Total</b>	<b>608.5</b>	<b>333.8</b>	<b>29.9</b>	<b>362.5</b>	<b>70.2</b>

<sup>1)</sup> Insurance business surplus/shortfall is reported in a separate table

<sup>2)</sup> Result of investment operations at current value is reported in a separate table

<sup>3)</sup> Loading profit is reported in a separate table

**Insurance business surplus/shortfall**

EUR million	2017	2016	2015	2014	2013
Premiums written of business under the company's responsibility	564.7	410.1	423.0	424.8	209.6
Technical provisions of business under the company's responsibility	431.5	419.3	405.2	387.4	213.0
Insurance business surplus	996.2	829.3	828.2	812.1	422.6
Paid pension assets	540.2	516.4	490.4	453.0	242.0
Credit losses on premiums	18.8	18.4	15.8	17.2	11.0
Change in technical provisions of business under the company's responsibility	450.4	392.0	323.5	353.3	179.2
Total claims expenditure	1,009.5	926.8	829.7	823.4	432.2
for old-age pension liabilities (so-called supplement to the mortality basis)		49.8			
<b>Insurance business surplus/shortfall</b>	<b>-13.3</b>	<b>-47.7</b>	<b>-1.5</b>	<b>-11.3</b>	<b>-9.5</b>

## Key Figures

### Loading profit

EUR million	2017	2016	2015	2014	2013
Expense loading	116.2	118.2	118.9	117.7	64.6
Share of premium available to cover operating expenses resulting from claims decisions	5.1	5.6	5.7	5.4	3.0
Other income	0.7	0.9	2.0	1.0	0.1
Loading profit, total	121.9	124.6	126.5	124.1	67.6
Operating expenses by operation <sup>1)</sup>	-98.7	-95.6	-90.3	-92.2	-50.3
Other expenses	0.0	0.0	0.0	0.0	-0.3
Operating expenses, total	-98.7	-95.6	-90.3	-92.2	-50.6
<b>Loading profit</b>	<b>23.3</b>	<b>29.1</b>	<b>36.2</b>	<b>31.8</b>	<b>17.0</b>
<b>Operating expenses/loading profit, %</b>	<b>80.9</b>	<b>76.7</b>	<b>71.4</b>	<b>74.3</b>	<b>74.9</b>

<sup>1)</sup> Excluding operating expenses for investment operations and disability risk management and statutory charges

### Disability risk management

EUR million	2017	2016	2015	2014	2013
Premiums written; disability risk management	3.6	3.4	3.2	3.1	1.7
Expenses covered by disability management and entered under claims incurred	2.1	2.6	5.5	4.8	2.1
Expenses from disability risk management covered by expense loading entered as business expenses <sup>2)</sup>	0.9	0.9	0.0	0.0	0.0
<b>Expenses covered by disability management / Disability management, %</b>	<b>58.4</b>	<b>76.7</b>	<b>174.4</b>	<b>154.0</b>	<b>123.7</b>

<sup>2)</sup> Does not include personnel expenses related to the management of the disability risk of own employed personnel as of 2016

# Guide to key figures

Elo Mutual Pension Insurance Company was established on 1 January 2014, when Mutual Insurance Company Pension Fennia was merged with LocalTapiola Mutual Pension Insurance Company. Therefore, the figures for 2013 used for comparison purposes in Elo's key figures are those of LocalTapiola Mutual Pension Insurance Company.

**Valuation difference** is the difference between the current value and book value of investments.

**The customer bonus** reduces a contract employer's TyEL pension insurance premium.

**Pension assets** are the sum of solvency capital and technical provisions.

## Loading profit =

- + Expense loading
- + Share of premium available to cover operating expenses resulting from claims decisions
- + Other income
- Operating expenses for each operation, excluding operating expenses for investment activities and working capacity maintenance and statutory charges
- Other expenses

Loading profit is distributed in full to customers during the year following the financial statements.

Costs from disability risk management covered by the expense loading are shown separately in the itemisation of disability risk management. Investment management expenses are covered by investment income, and disability risk management maintenance expenses are covered by the disability loading.

**Total operating expenses** comprise the operating expenses for each business, which consist of the investment and disability risk management expenses, and statutory charges and other expenses.

**Total result** comprises the insurance business surplus, the loading profit, other income and the result of investment operations at current value.

**Statutory charges** comprise the share of costs of the Finnish Centre for Pensions, the judicial administration charge of the Pension Appeal Board and the supervision charge of the Financial Supervisory Authority.

**Turnover** = premiums written before credit losses and reinsurers' share + book net investment income + other income.

## Claims paid =

- + Pensions paid to pension recipients
- + Paid/refunded division of cost compensations
- + Share of the Unemployment Insurance Fund insurance contribution and division of the costs of pension components accrued on the basis of unsalaried periods
- + Claims handling expenses
- + Costs from disability risk management

**Other income** includes other income and expenses, fixed income items form the uneven distribution of premiums, cost division compensation and share of the costs of the Finnish Centre for Pensions, interests included in YEL premiums and transfer fees written off, and the income from statutory charges.

**Provision linked to equity income** is a part of the premium reserve that serves as a buffer for part of the equity investments. This share of the technical provisions changes depending on how equity income is realised in the pension system on average.

**Provision for current bonuses** comprises assets that have been transferred to be used for client bonuses granted to policyholders.

**Provision for future bonuses** is part of the company's solvency capital, and serves as a buffer against investment return

fluctuations and insurance risks. Following the amendment to the Employees' Pensions Act, the equalisation provision was transferred to the provision for future bonuses. Part of the total result is transferred to the provision for future bonuses.

## Report on investment distribution at current value

**Basic distribution** refers to the combined market value of cash investments and derivatives.

**Risk distribution** refers to the combined total of the delta-adjusted values of the underlying assets of cash investments and derivatives (the underlying assets of futures or forward contracts, or of options multiplied by the delta of the option, i.e. the risk effect of derivatives). The risk distribution shows on a separate line the effect of derivatives on the difference between the risk distribution and the basic distribution. After the adjustment, the final sum of the risk distribution will equal that of the basic distribution.

**Net investment income on capital employed (at current value)** is calculated for each type of investment and for the whole investment portfolio, taking into account daily or monthly time-weighted cash flows. The return for the financial period is calculated using a so-called modified Dietz formula (a time- and money-weighted formula) such that capital employed is calculated by adding the cash flows during

## Key Figures

the period to the market value at the start of the period, weighted by the relative share of the length of the entire period that remains from the transaction date or from the middle of the transaction month to the end of the period. When calculating capital employed, cash in hand and at banks is taken into account, as well as purchase price receivables and liabilities.

**Result of investment operations at current value** is calculated by subtracting the return requirement on technical provisions from the net investment income at current value. Net investment income at current value is obtained by adding together the net investment income in the profit and loss account and the change in valuation differences.

**Performance analysis** describes the sources and use of the surplus. The surplus comprises the insurance business surplus, the loading profit, the result of investment operations at current value and other income. The surplus is used for the change of solvency and for transfer to client bonuses. The change of solvency comprises the changes in the provision for future bonuses, in accrued valuation differences and in accumulated appropriations, and the transfer to the profit for the financial year.

**Disability risk management** is an employee well-being service provided by the pension company to its customers and is concerned with coping at work and extending careers. It can include various forms of consulting, mentoring and tools. Authorised pension providers must report the amount of working

capacity maintenance expenses recorded in claims incurred and the amount of disability risk management included in the premiums written for the financial year, along with the ratio of these items. In addition, a pension company must report costs from disability risk management covered by the expense loading entered as business expenses.

**Requirements for solvency capital** are based on the examination of theoretical risks. The main variable in the examination of solvency is the solvency limit. The riskier a company's investment distribution is, the higher its solvency limit is, and the more solvency capital it requires. The solvency limit is also affected by insurance risk. The regulations on the calculation of the solvency limit and allocation of investments were revised on 1 January 2017. Following the reform, all material risks of investment operations and insurance risks are taken into consideration in the calculation of the solvency limit in more detail than before. Moreover, the limit is reported in euros (formerly as a percentage). At the same time, separate margin rules were abandoned. The indicators of solvency are the ratio of solvency capital to the technical provisions or the solvency ratio, and the ratio of solvency capital to the solvency limit or the solvency position. The minimum amount of solvency capital is one third of the solvency limit. The maximum amount of solvency capital is three times the solvency limit, however not less than 40% of pension liabilities less provision for future bonuses and items not taken into consideration in the premium reserve under section 139, subsection 2 of the

Self-Employed Persons' Pensions Act. If the amount of solvency capital exceeds the maximum amount for a second consecutive year, the company must make an additional transfer to client bonuses.

**Insurance business surplus** for the pensions within the company's responsibility is calculated by subtracting the pension expenditure under the company's responsibility from the premium's risk elements. The insurance business surplus is transferred to the provision for future bonuses.

**Numbers of insurance policies, insurance policyholders and pension recipients** are as at the time of closing the accounts. In the case of TyEL policyholders whose information is submitted monthly to the pension insurance company, the calculation concerns the number of persons who have had earnings during the last month. However, each person is only calculated once. For survivors' pension, the number of pension recipients will always be one, regardless of the number of beneficiaries.

**Return requirement on technical provisions** is determined on the basis of the discount rate (3%) used in the calculation of the technical provisions, the supplementary coefficient for pension liabilities, the requirement for the technical rate of interest and the average equity income of authorised pension providers. The amount of technical provisions linked to equity income increased from 10% at the beginning of 2017 to 15%.

# Auditor's report

(Translation of the Finnish original)

To the Annual General Meeting of Elo Mutual Pension Insurance Company

## Report on the Audit of Financial Statements

### Opinion

We have audited the financial statements of Elo Mutual Pension Insurance Company (business identity code 0201103-7) for the year ended 31 December, 2017. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

In our opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the company in accordance

with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the company are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note "Compensations paid to auditors" to the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Most significant assessed risks of material misstatement

Below we have described our assessment of the most significant risks of material misstatement, including risks of material misstatement due to fraud, and presented a summary of our response to those risks.

We have fulfilled the responsibilities described in the Auditor's responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of

the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

As for the financial statements there are no significant risks of material misstatements referred to in Article 10 section 2c of regulation (EU) 537/2014.

### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude

that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Other reporting requirements**

#### **Information on our audit engagement**

We were first appointed as auditors by the Annual General Meeting on 23.4.2014, and our appointment represents a total period of uninterrupted engagement of four years.

#### **Other information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information and, in doing so, consider whether the information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 19.3.2018

Ernst & Young Oy  
Authorized Public Accountant Firm

Ulla Nykky  
Authorized Public Accountant



# Corporate Governance Statement

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9. Auditor

Elo's Corporate Governance Statement for the financial period covering 1 January–31 December 2017 is based on the 2015 Finnish Corporate Governance Code for listed companies and is issued separately from the Board of Directors' report. Elo complies with the parts of the Governance Code that are applicable to the operations of employment pension companies. Deviations from the recommendations of the Governance Code are presented in the early part of this Corporate Governance Statement. The Finnish Corporate

Governance Code is available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

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

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

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

**Recommendations 10, 16, 17 and 18 – Independence of the members of the Board of Directors and its Committees:** The number of independent members on the Board of Directors and its committees, and the evaluation of their independence are based on law (TVYL). The composition of the Board of Directors and the eligibility criteria of the members are prescribed by law. Members of the Board of Directors of Elo may include such persons who act in the operational management or administration of Elo's major client companies. This is attributed to the fact that Elo is a mutual

company. The Chief Executive Officer may not be on the Board of Directors.

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

**Recommendation 28 – Related Party Transactions:** Elo complies with the regulations on the related party transactions of employment pension companies in accordance with the Act on Pension Insurance Companies (TVYL). Moreover, in accordance with Elo's related party guideline, significant transactions whose counterparty is an entity over which a member of Elo's management exercises influence or control or in which one acts in a management position are forwarded to the Board of Directors to decide on.

## 2. General Meeting

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

The General Meeting decides on the number of Supervisory Board members and the number of auditors, elects the members of the Supervisory Board and the

auditors, and makes decisions concerning the confirmation of the financial statements and the use of the profit shown in the balance sheet. The General Meeting decides on the granting of discharge from liability to the members of the Board of Directors and the Supervisory Board, and to the Chief Executive Officer. In addition, the General Meeting decides on the remuneration of the members of the Supervisory Board and the auditors, as well as any other matters mentioned in the notice of the meeting.

Elo's Annual General Meeting was held on 24 April 2017.

## 3. Supervisory Board

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

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

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

The Supervisory Board elects a Chairman and Deputy Chairmen from among its members each year. One of these must be a person nominated by the representatives of the insured.

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

The Supervisory Board members, their spouses, persons under the members' guardianship and controlled companies are considered to be related parties of Elo. Transactions with related parties are handled in accordance with the related-party guideline. Significant transactions with Elo's management and related parties will always be decided on by Elo's Board of Directors. Any transactions carried out with related parties are reported on Elo's website.

### **Elo's Supervisory Board as of 24 April 2017**

Chairman

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

Deputy Chairmen

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

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

Members

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Mikko Leppälä**,  
born 1963, term expires in 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**Mika Varjonen,**

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

**Pentti Virtanen,**

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

**Tapio Volanen,**

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

**Olli Vormisto,**

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

**Janne Ylinen,**

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

**Jaana Ylitalo**

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

**Satu Yrjänen,**

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

### 3.1. Election Committee

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

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

During 2017, the six-member Election  
Committee included Ilkka Brotherus,  
Klaus Saarikallio, Jouko Vehmas (until 6  
February 2017) and Harri Miettinen (as  
of 21 November 2017), all from Elo's

Supervisory Board, as members who had  
been nominated by the policyholders. The  
Election Committee members proposed by  
the insured included Håkan Nystrand, Mika  
Varjonen and Jaana Ylitalo, all from Elo's  
Supervisory Board. Klaus Saarikallio served  
as Chairman of the Election Committee and  
Håkan Nystrand as Deputy Chairman.

Elo's Election Committee convened twice  
in 2017, on 7 February and 3 October.  
Members' attendance at the Election  
Committee meetings was an average of 92  
per cent.

### 4. Board of Directors

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

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

- to appoint and give notice to the Chief  
Executive Officer, the Deputy Managing  
Director, the members of the company's  
Executive Group, the members of the  
Executive Group of Investments, the  
Director of Internal Auditing and the  
Medical Director and to decide on the

terms and remunerations related to their  
employment relationship

- to decide on the general structure of the  
company's organisation
- to approve the company's strategy and  
budget and oversee their implementation
- to approve the company's personnel  
strategy and remuneration policy and  
the principles of the performance bonus  
system for personnel, and to assess and  
oversee their implementation
- to approve the investment plan and  
oversee its implementation
- to approve the risk management  
policy and plan, and oversee their  
implementation
- to approve the auditing plan for internal  
auditing on an annual basis
- to assess the state of the company's  
internal control on an annual basis
- to approve the financial statements
- to decide on the convening of General  
Meetings
- to confirm the written operational  
principles required by the Act on Pension  
Insurance Companies (TVYL)

Elo's Board of Directors comprises  
representatives of the central labour market  
organisations, as well as of the customers  
and stakeholders. In 2017, the Board of  
Directors comprised of twelve ordinary  
members and four deputy members. The  
Supervisory Board elects the members and  
deputy members of the Board of Directors  
for a term of three calendar years. Half of  
the members of the Board of Directors are  
elected from among candidates put forward  
by the central employer and employee  
organisations. There must be an equal  
number of members elected from among

those nominated by the employers and  
employees.

In addition to compliance with regulations,  
the diversity of the Board is also taken into  
consideration in the selection process for  
the members of the Board of Directors. The  
diversity of the Board is intended to facilitate  
the effective management of the Board's  
tasks and to support the realisation of Elo's  
strategic goals. When the Board, as a whole  
and through the competence, experience and  
characteristics of each individual member,  
is able to proactively challenge and support  
the company's management, the diversity  
of the Board will have been achieved in the  
intended manner.

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

One aim of the diversity policy at Elo  
is to maintain the balance of the gender  
distribution on Elo's Board. In order to  
achieve that aim, the Election Committee  
endeavours to find representatives of  
both genders as part of its search and  
assessment process for new members. The  
realisation of the aim will be evaluated and  
monitored at the meetings of the Election  
Committee. On the basis of the Election  
Committee's proposal in 2017, the share of  
women as the minority gender on the Board  
for 2018 is 37.5 per cent.

The Board of Directors elects a Chairman  
and Deputy Chairmen for one calendar  
year at a time from among its members.  
One of these must be a person nominated  
by representatives of the insured. The  
Chairman and both Deputy Chairmen of the  
Board of Directors constitute the presiding  
officers of the Board.

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

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

The members of the Board of Directors, their spouses, persons under the members' guardianship and controlled companies are considered to be related parties of Elo. Transactions with related parties are handled in accordance with the related-party guideline. Significant transactions with Elo's management and related parties will always be decided on by Elo's Board of Directors. Any transactions carried out with related parties are reported on Elo's website.

### **Elo's Board of Directors in 2017**

Chairman

**Eeva-Liisa Inkeroinen,**

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

Deputy Chairmen

**Antti Aho,**

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

**Ann Selin,**

born 1960, eMBA, Chairwoman, Service Union United PAM

Ordinary members

**Jari Karlson,**

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

**Antti Kuljukka,**

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

**Outi Lähteenmäki,** until 21 November 2017

**Janne Makkula,**

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

**Jorma Malinen,**

born 1959, Automation Designer, President, Trade Union Pro

**Marjo Matikainen-Kallström,** born 1965,

M.Sc. (Eng.), eMBA, Chairman, Academic Engineers and Architects in Finland TEK

**Erkki Moisander,**

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

**Olavi Nieminen,**

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

**Susa Nikula,**

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

**Niklas Sonkin,**

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

Deputy members

**Jouko Liimatainen,**

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

**Sinikka Näätäsaari,**

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

**Penna Urrila,**

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

**Daniela Yrjö-Koskinen,**

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

### **4.1. Audit Committee**

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

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

In 2017, Elo's Audit Committee comprised Jari Karlson (Chairman), Marjo Matikainen-Kallström and Outi Lähteenmäki (until 21 November 2017). Niklas Sonkin was elected as a member of the Audit Committee on 18 December 2017. The Audit Committee convened five times and the members' attendance rate at these meetings was 100 per cent.

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

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

The Committee is comprised of the presiding officers of Elo's Board of Directors. In 2017, the members of the Appointment and Remuneration Committee included Eeva-Liisa Inkeroinen (Chairman), Ann Selin and Antti Aho. The Committee convened 10 times and the members' attendance rate at these meetings was 87 per cent.

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

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

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

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

## 6. Other management

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

Composition and responsibilities of the Executive Group:

**Mika Ahonen,**

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

**Matti Carpén,**

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

**Hanna Hiidenpalo,**

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

**Satu Huber,**

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

**Mikko Karpoja,**

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

**Erja Ketko,**

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

**Sarianne Kirvesmäki,**

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

**Hilkka Malinen,**

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

**Jonna Ryhänen,**

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

**Jouni Seppänen,**

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

**Timo Stenius,**

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

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

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

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

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

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

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

## 7. Internal control and risk management

The Board of Directors bears overall responsibility for arranging internal control and risk management and for the annual evaluation of the state of internal control. The Board of Directors must regularly assess the administrative system, the written operating principles (including the principles of internal control and risk management) and continuity plan. The Board of Directors approves the principles of internal control, general risk management principles, division of responsibilities and key policies (risk management policy) as well as the annual risk management plan related to the steering of the company, and it also monitors the progress of the administrative measures presented in the plan. The Audit Committee assists the Board of Directors in this task.

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

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

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

Elo complies with an insider guideline pursuant to the Pension Insurance Companies Act. The purpose is to advance the public reliability of investment activities and to ensure the knowledge of personnel concerning insider trading regulations in order to prevent unintentional violations as well. Elo's Compliance Officer is responsible for maintaining the insider registers, and for the training and guidance related to insider matters, and for the supervision of trading among those within the insider sphere.

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

The task of Elo's Internal Auditing is to assess the sufficiency and effectiveness of the governance, risk management and control processes, to issue recommendations, and consult on their development. Assigned by the Board of Directors, Internal Auditing is a unit that operates independently from the rest of the organisation. It reports to the Audit Committee and the Board of Directors, which confirms its operational guidelines and annual plan. The head of the Internal Auditing unit is an administrative subordinate to the Chief Executive Officer.

The activities of Internal Auditing are governed by the requirements of the law and the regulations and guidelines issued by the Financial Supervisory Authority regarding internal auditing and the standards of the Institute of Internal Auditors (IIA).

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

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

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

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

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

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

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

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

The most important key figures in terms of evaluating Elo's total risk position and risk-bearing capacity are the amount of the

solvency capital in relation to the technical provisions (solvency ratio) and the amount of the solvency capital in relation to the solvency limit in accordance with regulations (solvency position). The calculation of the key figures in terms of the solvency capital and solvency is described in the accounting principles and key figure guide included in the financial statements. Other key items for financial reporting are the yield requirement concerning the technical provisions, valuation of investments, and investment result at fair values.

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

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



unlisted equities, private equity funds, real estate funds and real estate, the Finance and Investment Risk Supervision unit ensures that the market values are priced in accordance with the agreed principles and ensures the market values. The Finance and Investment Risk Supervision unit has a regular balancing routine to ensure the accuracy of the market values, cash flows and credit ratings of the investment systems. There is a temporal delay related to the determination of the market values, but its effect is minimal.

The company's business accounting for the financial year is implemented using the matching principle, and the information in the general ledger accounting is balanced with the partial accounting systems. During the financial year, the balancing is carried out monthly. The accuracy of the financial reports is ensured through regular balancing routines between different source systems and the data storage system, and through work instructions, automated processes, process descriptions, good professional competence, and close co-operation and fluent communication between the Finance and Investment Risk Supervision unit and the Investment unit.

Operational risks related to financial reporting, investment risk supervision, accounting and transactions are surveyed every six months in risk survey meetings coordinated by the independent Risk and Business Control unit. The significance of the effects of identified risks and the probability of their realisation are estimated separately for each risk and a risk management plan for each risk is drawn up and monitored in terms of its implementation. The near miss cases

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

### **9. Auditor and fees**

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

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

In 2016, Elo paid to the audit firm a total of 295,421 euro as auditing fees and 84,062 euro for other services not related to auditing.



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