



ELO PENSION COMPANY

Corporate governance statement 2020

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

Corporate governance statement

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

In accordance with the Finnish Corporate Governance Code 2020, Elo's remuneration statement has been replaced by Elo's Remuneration Policy for Governing Bodies and Remuneration Report for Governing Bodies, which are complemented by information disclosed on Elo's website.

The Remuneration Policy for Governing Bodies and the Remuneration Report apply to Elo's Board of Directors, Supervisory Board and CEO. Going forward, information on the remuneration of the other members of the Executive Group will be provided on Elo's website.

The Remuneration Policy pursuant to the Finnish Corporate Governance Code 2020 will be reviewed by Elo's governing bodies in the spring 2021 and published on Elo's website after its approval.

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

1. Deviations from the recommendations of the Corporate Governance Code

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

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

Recommendations 10, 16, 17 and 18 – Independence of the members of the Board of Directors and its Committees The number of independent members on the Board of Directors and its committees, and the evaluation of their independence are based on law (TVYL). The composition of the Board of Directors and the eligibility criteria of the members are prescribed by law. Members of the Board of Directors of Elo may include such persons

who act in the operational management or administration of Elo's major client companies. This is attributed to the fact that Elo is a mutual company. The Chief Executive Officer may not be on the Board of Directors.

Recommendation 22 – Decision-Making

Relating to Remuneration: According to the Act on Pension Insurance Companies (TVYL), decisions concerning the remuneration of the Board of Directors are made by the Supervisory Board.

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

Elo complies with the parts of the Governance Code that are applicable to the operations of employment pension companies. The decision-making procedure concerning remuneration deviates significantly from that of listed companies, also with respect to the Remuneration Policy and Remuneration Report

for Governing Bodies. The Remuneration Policy and Remuneration Report for Governing Bodies will not be discussed at Elo's Annual General Meeting, but they will be published on Elo's website after their approval.

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 25 May 2020.

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.

Elo's Supervisory Board is comprised of 42 members, elected by the Annual General Meeting. The members are elected for a term of three years. A minimum of one-third of the Supervisory Board members must be elected from among candidates nominated by the central labour market organisations representing employees and a minimum of one-sixth of the Supervisory Board members must be elected from among candidates nominated by key central labour market organisations representing employers. The Supervisory Board elects a 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 2020, on 13 May and 24 November. An average of 92 per cent of the Supervisory Board members attended the meetings. The remuneration paid to the members is specified in Elo's remuneration report, available at www.elo.fi – About Elo – Governance (in Finnish only).

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 25 May 2020

Chairman

Ilkka Brotherus,
born 1951, Chairman of the Board, Sinituote Oy, term expires in 2021

Deputy Chairmen

Pekka Kampman,
born 1962, Project Manager, Y-Foundation, term expires in 2023

Satu Yrjänä,
born 1967, CEO, Kantar TNS Oy, term expires in 2021

Members

Vesa Aallosvirta,
born 1961, Organisational Manager, The Finnish Industrial Union, term expires in 2023

Martti Ala-Härkönen,
born 1965, CFO, Caverion Corporation, term expires in 2023

Stefan Borgman,
born 1965, Chairman, METO Forestry Experts' Association, term expires in 2022

Pekka Eloholma,
born 1960, CEO, Sitowise Oy, term expires in 2022

Antti Hakala,
born 1967, Director, Trade Union Pro, term expires in 2021

Juha Hakkarainen,
born 1962, Forestry Director, Central Union of Agricultural Producers and Forest Owners (MTK), term expires in 2022

Maria Hanho,
born 1982, Owner and Chairman of the Board, Vaissi Oy, term expires in 2023

Nanna Hietala,
born 1973, Chairman of the Board, MSK Group Oy, term expires in 2023

Ulla Hopponen,
born 1968, Financial Manager, The Finnish Industrial Union, term expires in 2022

Sauli Huikuri,
born 1958, Chairman of the Board, Hätäla Oy, term expires in 2021

Matti Huutola,
born 1959, Vice President and Director, Central Organisation of Finnish Trade Unions SAK, term expires in 2022 (until 10 December 2020)

Heidi Jaara,

born 1974, Member of the Board, Balmuir Oy, term expires in 2022

Olavi Kaukonen,
born 1956, Managing Director, A-Clinic Foundation, term expires in 2023

Kalle Kujanpää,
born 1969, CFO, Finn-Power Corporation, term expires in 2021

Veli-Matti Kunttonen,
born 1965, Chairman, Finnish Foodworkers' Union SEL, term expires in 2021

Lasse Laurikainen,
born 1970, Chairman, Helsingin Insinöörit Hl ry, term expires in 2021

Leena-Mari Lähteenmaa,
born 1964, President, CGI Finland, term expires in 2022

Pekka Metsi,
born 1961, CEO, Granlund Oy, term expires in 2022

Harri Miettinen,
born 1962, Managing Director, Kymen Seudun Osuuskauppa, term expires in 2022

Timo Mäki-Ullakko,
born 1963, CEO, Pirkanmaa Cooperative Society, term expires in 2021

Jussi Niemelä,
born 1969, (until 24 November 2020)

Mats Nyman,
born 1972, Executive Director, YTY – Association for Managers and Professionals, term expires in 2022

Mikael Pentikäinen,
born 1964, CEO, Federation of Finnish Enterprises, term expires in 2023

Terhi Penttilä,
born 1972, Managing Director, Länsilinjat Oy, term expires in 2023

Heikki Pesu,
born 1967, CEO, Are Oy, term expires in 2022

Marko Piirainen,
born 1975, Chairman, Transport Workers' Union AKT, term expires in 2023

Katariina Poskiparta,
born 1961, Managing Director, Finnish Student Health Service, term expires in 2022

Antti Rantalainen,
born 1969, CEO, Rantalainen Group Oy, term expires in 2021

Ville-Veikko Rantamäula,
born 1980, Head of Policy, Union of Professional Business Graduates TRAL, term expires in 2023

Millariikka Rytkönen,
born 1975, Chair, Tehy – The Union of Health and Social Care Professionals in Finland, term expires in 2021

Ansu Saarela,
born 1978, CFO, Bauhaus & Co Ky, term expires in 2022

Mikko Salo,
born 1974, General Secretary, Union of Professionals in Natural, Environmental and Forestry Sciences Loimu, term expires in 2021

Olli Sarekoski,
born 1965, CEO, Veikkaus Oy, term expires in 2021

Kimmo Simberg,
born 1959, CEO, Etelä-Pohjanmaan Osuuskauppa, term expires in 2023

Tommi Sova,
born 1975, Managing Director, Intrum Oy, term expires in 2023

Pentti Virtanen,
born 1964, Vice Chairman of the Board, FSP Finnish Steel Painting Oy, term expires in 2021

Olli Vormisto,
born 1967, Managing Director, Osuuskauppa Hämeenmaa, term expires in 2023

Janne Ylinen,
born 1975, Managing Director, Kokkolan Halpa-Halli Oy, term expires in 2022

Jaana Ylitalo,
born 1969, Collective Bargaining Director, Service Union United PAM, term expires in 2021

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 2020, the six-member Election Committee included Ilkka Brotherus, Harri Miettinen and Satu Yrjänen, all from Elo's Supervisory Board, as members who had been nominated by the policyholders. The Election Committee members proposed by the insured included Pekka Kampman, Mats Nyman and Jaana Ylitalo, all from Elo's Supervisory Board. Ilkka Brotherus served as Chairman of the Election Committee and Jaana Ylitalo as Deputy Chairman.

Elo's Election Committee convened twice in 2020, on 4 February and 6 October. Members' attendance rate at the Election Committee meetings was 100 per cent.

4. Board of Directors

The general task of the Board of Directors is to oversee the governance of the company and proper arrangement of the company operations, and to ensure that the supervision of accounting and asset management is appropriately arranged. In accordance with the Act on Pension Insurance Companies (TVYL), the Board of Directors must, together with the 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 (the Senior Physician) 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 2020, the Board of Directors comprised 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. A minimum of one-third of the members of the Board of Directors must be elected from among the candidates nominated by the central labour market organisations representing employees. A minimum of one-sixth of the members of the Board of Directors must be elected from among the candidates nominated by the central labour market organisations representing employers.

In addition to compliance with regulations, the diversity of the Board is also taken into consideration in the selection process for the members of the Board of Directors. The

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

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

One aim of the diversity policy at Elo is to maintain the balance of the gender distribution on Elo's Board. In order to achieve that aim, the Election Committee endeavours to find representatives of 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 2020, the share of women as the minority gender on the Board for 2021 is 31.25 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 21 times in 2020. An average of 85.9 per cent of the members of the Board of Directors attended the meetings. The remuneration paid to the members is specified in Elo's remuneration report, available at www.elo.fi – About Elo – Governance (in Finnish only).

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 2020

Chairman

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

Deputy Chairmen

Ann Selin,
born 1960, eMBA, Executive Advisor, Service
Union United PAM (First Deputy Chairman until
31 March 2020)

Sture Fjäder,
born 1958, M.Sc. (Econ.), B.Soc.Sc.,
President, Akava (First Deputy Chairman since
1 April 2020)

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

Ordinary members

Minna Helle,
born 1972, LL.M., Executive Director,
Federation of Finnish Technology Industries

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

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

Antti Kuljukka,
born 1961, M.Soc.Sc., eMBA, CEO, Fennia
Group

Janne Makkula,
born 1977, LL.M., trained on the bench,
Labour Market Director, Federation of Finnish
Enterprises

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

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

Annika Rönni-Sällinen,
born 1976, LL.M., President, Service Union
United PAM (since 13 May 2020)

Niklas Sonkin,
born 1967, M.Sc. (Eng.), President and CEO,
Accountor Holding Oy (until 30 April 2020)

Timo Viherkenttä,
born 1958, LL.D., Professor of Practice, Aalto
University (member since 24 November 2020)

Deputy members

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

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

Esa Neuvonen,
born 1967, M.Sc. (Econ.), EVP, YIT Group

Penna Urrila,
born 1976, M.Soc.Sc., Director, Chief Economist,
Confederation of Finnish Industries EK

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 must be a representative of the central employer organisations and one must be from among the other members of the Board of Directors.

In 2020, Elo's Audit Committee comprised Jari Karlson (Chairman), Marjo Matikainen-Kallström and Niklas Sonkin (until 30 April 2020) and Penna Urrila (since 7 May 2020). The Audit Committee convened six times and the members' attendance rate was 100 per cent.

4.2. Appointment and Remuneration Committee

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

The Committee comprises the presiding officers of Elo's Board of Directors. In 2020, the members of the Appointment and Remuneration Committee included Antti Aho (Chairman), Susa Nikula, Ann Selin (until 31 March 2020) and Sture Fjäder (since 1 April 2020). The Appointment and Remuneration Committee convened six times and the members' attendance rate was 100 per cent.

5. Chief Executive Officer

Elo's Chief Executive Officer is Satu Huber (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, 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 and Insurance Policies

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. Chief Audit Executive Anne Nurminen has the right to attend the meetings of all executive groups.

The Board of Directors decides on the remuneration payable to the Chief Executive Officer and members of the executive groups.

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 regularly assesses 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 and general risk management, 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 company's directors and managers are responsible, within the scope of their respective duties, for internal control, the implementation of risk management measures and compliance with the company's coordinated 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 to ensure that the company complies with the regulations issued by the authorities and the best practices for internal control in general. To secure sufficient access to information, the Compliance Officer is entitled to have all information that he needs and also the right to attend the meetings of the Governance executive group. 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, as well as 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 risk management policy, risk management plan and solvency management control model approved by the Board of Directors specify the solvency and risk reporting to be provided to the Board of Directors and related responsibilities. Result, solvency and risk reporting is the responsibility of the Finance and Investment Risk Supervision function, which is independent of the functions subject to reporting. Independent reporting on operating expenses

is carried out by the Risk and Business Control function.

Result and solvency reports (including key figures related to solvency, the return and risk distribution of investments, profit analysis and the income statement and balance sheet at fair values) are automatically updated in an internal reporting tool on a daily basis and also distributed to the management in the form of reports. The Executive Group of Investments and the investment function also have daily access via the reporting tool to up-to-date reporting on, for example, the returns and risks of asset classes, the limits of the investment plan, the solvency classification of investments and the cash flows of the investment and insurance businesses. The Finance and Investment Risk Supervision function monitors whether limits are exceeded and immediately reports on such instances in accordance with internal guidelines, and the investment function subsequently takes action as necessary. Risk figures related to the solvency calculated in accordance with the company's internal models are reported to the Executive Group of Investments and the investment business a few times a week. Intra-day assessments are also made regarding returns and solvency as necessary.

The Board of Directors decides on the grounds for using derivative contracts and the criteria for the solvency classification of investments – which are used in the calculation of the solvency limit – with regard to taking into account the risks of indirect investments, derivative contracts, the use of risk category 18 and calculating the duration

of investments exposed to interest and credit margin risk. The Board of Directors monitors whether the grounds are current as well as their application based on reports prepared by the Finance and Investment Risk Supervision function. Reports are prepared on the use of derivative contracts and their impact on the solvency limit, and on the application of the grounds for solvency classification.

The Finance and Investment Risk Supervision function reports to the Board of Directors on key figures related to solvency, solvency restrictions and stress tests at least twice a month in accordance with the company's solvency management control model. The Board of Directors is provided with more comprehensive monthly result and solvency reports that include information on the accumulation and use of the overall result, itemised returns for asset classes, the market value and risk distribution of investments, investment risk concentrations as well as limits according to the investment plan and adherence to them. 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.

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

The most important key figures in terms of evaluating Elo's total risk position and risk-bearing capacity are the amount of the solvency capital in relation to the technical provisions (solvency

ratio) and the amount of the solvency capital in relation to the solvency limit in accordance with the 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 company's Appointed Actuary, together with Actuarial Services, is responsible for the accuracy of technical provisions and insurance contributions in the systems. The mid-year evaluation of the technical provisions is conducted by the Finance and Investment Risk Supervision function, and its accuracy is ensured by means of work instructions, balancing routines and close co-operation with Actuarial Services and the Appointed Actuary. The insurance business surplus and change in payroll is estimated by Actuarial Services. In the financial statements, the technical provisions, premiums written and insurance business surplus are estimated by Actuarial Services. The corresponding payroll is calculated on the basis of incomes register notifications received and analyses by Actuarial Services. The insurance business surplus has a slight effect on result and solvency. When the financial statements are drawn up, Actuarial Services closes the portfolio at the time of closing the books, which means that the technical provisions and premiums written are accurate. Only payments for wages earned in December are recorded as receivables.

The investment values used in the financial statements are determined in accordance with the accounting principles presented in the financial statements and more detailed internal procedures. As for unlisted equities, private equity funds, real estate funds and real estate, the Finance and Investment Risk Supervision function ensures that the market values are priced in accordance with the agreed principles and ensures the market values. The Finance and Investment Risk Supervision function is responsible for maintaining all valuations. 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 financial reports is ensured through regular balancing routines and automatic control points between different source systems, the data storage system and the reporting tool as well as through work instructions, automated processes, process descriptions, good professional competence, and close cooperation and fluent communication between the Finance and Investment Risk Supervision unit and the investment function.

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 function. The significance of the effects of identified risks and the probability of their realisation are estimated separately for each risk and a risk management plan for each risk is drawn up and monitored in terms of its implementation. The near misses and realised risks within investment trading, reporting and supervision processes as well as in accounting and transactions are reported in deviation reports related to the operational risks. In addition, the independent Risk and Business Control function coordinates the updating of the Finance and Investment Risk Supervision function's continuity plan each year.

9. Auditor and fees

Elo's Annual General Meeting for 2020 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 2020, Elo paid the audit firm a total of EUR 318,000 in auditing fees and EUR 42,730 in fees for non-audit services.



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