

# LocalTapiola Asset Management Ltd

Report of the Board of Directors  
and financial statements for 2020

Business ID: 1604393–7



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## Report of the Board of Directors

LocalTapiola Asset Management Ltd (LocalTapiola Asset Management) is part of LocalTapiolaGroup, the leading parent company of which is LocalTapiola General Mutual Insurance Company (LocalTapiola General, business ID 0211034-2). LocalTapiola General's report of the Board of Directors and financial statements are available at [www.lahitapiola.fi](http://www.lahitapiola.fi).

### LocalTapiola Asset Management in 2020

LocalTapiola Asset Management acts as the asset manager for the LocalTapiola Group companies, LocalTapiola funds and external investors. LocalTapiola Asset Management supplements LocalTapiola Group's lifelong security strategy by offering customers extensive and cost-efficient asset management solutions. In addition to institutional investors, LocalTapiola Asset Management also serves private customers. Private customers can avail themselves of LocalTapiola's award-winning mutual funds and Private Banking asset management services.

- Operating result EUR 0.7 million.
- Assets under management EUR 10,986.7 million.
- Solvency ratio 44.3 per cent.

#### Significant events during the financial period

An SFR survey targeting institutional investors awarded LocalTapiola Asset Management as the best responsible investment asset manager for the third consecutive year. LocalTapiola was ranked the best in integrating responsibility into the investment process and in reporting.

LocalTapiola Asset Management received excellent scores for the implementation of responsible investment from the UN-supported PRI (Principles for Responsible Investment). Especially, the score improved in the area assessing active ownership practices as a result of the proxy voting services activated in spring 2019. For the fourth time, international fund analysis company Lipper awarded LocalTapiola Asset Management as the best Nordic asset manager in the small companies category. In the balanced funds category, LocalTapiola also ranked number one for the fourth time running, with all LocalTapiola's World funds (Bond World, World 20, World 50 and World 80) topping the category. Fund rating company Morningstar awarded

the LocalTapiola World 50 fund as the best balanced fund in Finland and, in addition, LocalTapiola won Morningstar's award for the best fund company in terms of the entire fund offering. The criteria for the awards is the five-year risk-adjusted income.

In autumn 2020, as a new product in our offering we launched the Star funds featuring five different risk classes, administered by LocalTapiola Alternative Investment Funds.

During the financial period, practices to prevent money laundering and terrorism have been enhanced and reporting processes improved, including transaction reporting to authorities based on discussions held with the Financial Supervisory Authority. Preparations were also made in 2020 for the sustainable finance regulation taking effect in March 2021.

#### Asset management services

As an investment firm, LocalTapiola Asset Management offers its customers asset management services.

The assets under management decreased by nearly one per cent to EUR 10,986.7 million (31 December 2019: EUR 11,091.2 million). The assets of the LocalTapiola mutual funds decreased to EUR 4,287.1 million (EUR 4,500.2 million).

	(EUR m)	2020	2019	2018
Assets under management		10,986.7	11,091.2	10,207.9
Assets of LocalTapiola Funds		4,287.1	4,500.2	4,001.1

In 2021, our objective is to further strengthen our market position in the asset management market by offering asset management concepts that meet customer needs. LocalTapiola's strategic goal is to promote savings and investment know-how among our customers while expanding the customer base for asset management services. Renewing investment service offering, together with

customers' growing interest for investing and with the need to prepare for the future through savings, provides a good opportunity to achieve this. In addition to LocalTapiola Life, in the future we will be developing cooperation with Seligson & Co, which is owned by LocalTapiola Group.

## Key figures

### KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT

(% / EUR m)	2020	2019	2018
Capital and reserves (on average)	22.6	22.4	22.6
Balance sheet total (on average)	27.8	27.4	28.1
Net commissions	20.2	21.2	20.7
Turnover	20.6	21.7	21.0
Operating profit	0.7	1.4	2.0
Operating profit of turnover	3.6	6.6	9.6
Return on equity (ROE)	2.4	5.1	7.1
Return on assets (ROA)	2.0	4.2	5.7
Equity ratio	80.5	82.1	81.5
Cost/return ratio	1.0	0.9	0.9

## Result summary

(% / EUR m)	2020	2019
Net commissions	20.2	21.2
Income from investment services	20.6	21.7
Administrative expenses	18.1	18.5
Operating profit	0.7	1.4
Result for the financial period	0.5	1.1

The result for 2020 shows a slight profit. Income from investment services decreased to EUR 20.6 million (1 January–31 December 2019: EUR 21.7 million). The strong market volatility brought about by the pandemic negatively affected net commissions.

## Summary of balance sheet

(% / EUR m)	2020	2019
Receivables from credit institutions	20.8	20.6
Liabilities	5.5	4.9
Shareholders' equity	22.6	22.6
Balance sheet total	28.1	27.5

Capital and reserves totalled EUR 22.6 million (31 December 2019: EUR 22.6 million). Profit for the financial period totalled EUR 0.5 million, and dividends paid in 2020 came to EUR -0.6 million.

## Customers and customer benefits

LocalTapiola Asset Management serves as an independent asset manager for the LocalTapiola mutual funds. In addition, our customer base consists of institutional investors, companies, organisations and private individuals.

We offer asset management services in the form of various concepts, the most notable being

Institutional Asset Management, LocalTapiola Private Banking services and investment solutions implementing the co-investment ideology according to which the LocalTapiola Group companies invest in the same investees as our customers. The low interest-rate environment, the volatility in the investment markets, and people's preparation for the future by saving becoming more common in the time of COVID-19, have increased customers' interest in mutual fund and asset management services.

## Corporate social responsibility

LocalTapiola, Asset Management adheres to LocalTapiola Group's sustainability principles and Code of Conduct.

For us, sustainability is about

- promoting the security, well-being and success of people and communities
- promoting financial responsibility
- investing in the work community
- reducing the impact we have on the environment and climate
- risk management, and
- active participation in developing local communities and society.

## Responsible investment

Our work in responsible investment continued in 2020. Early in the year, we tightened our responsible investment guidelines, especially in terms of how climate change is addressed. In the equity and corporate bond selection models, in carbon-intensive sectors we invest in companies that have the best carbon footprint. In early 2020, we tightened the limit which we use to define carbon-intensive sectors.

In addition, we introduced a new guideline, whereby in the equity and corporate bond selection models and in the factor model we avoid investing in companies which an external service provider has analysed as having the most laggard ESG classification.

We developed the sustainability assessment of fund partners and stepped up the utilisation of data from external service providers, for instance by making more extensive use of a fund analysis system, which offers in-depth information on the ESG profiles of funds and makes fund comparison easier. We require that all our fund partners are

signatories to the UN PRI principles. In our assessments, we attribute a considerable weight to our partners' PRI assessment reports, and we especially consider the score each asset manager has obtained for ESG strategy and governance. According to the reports for 2020, 84% of our fund partners received the best A+ rating in this category from the PRI. In the asset management of customer portfolios, we have made use of a more extensive offering in a range of ESG/SRI/ESG LEADERS etf funds.

### LocalTapiola Asset Management as a responsible employer

LocalTapiola Asset Management also strives to operate on a responsible basis as a company. Our greatest asset are our professional and motivated personnel. We as an employer keep constantly developing responsible operations, and positive development is evident in a good working environment, spirit of cooperation and the results of the Eezy Spirit survey measuring employee well-being. More information about LocalTapiola Asset Management's actions to curb climate change is available on our website in the responsible investment report.

### Corporate governance

In accordance with LocalTapiola Asset Management's active ownership principles, the key policies for active ownership are meetings with the companies' management, attending Annual and extraordinary General Meetings and influencing companies together with other investors.

In 2020, our portfolio managers met with the management of some 753 companies. Of the meetings, 431 were with companies in which our asset management customers (including the LocalTapiola mutual funds) had invested. At the meetings, we discussed priorities central to the company's success, such as the company's strategic targets, what is required to achieve them as well as operational opportunities and challenges. At a total of 191 meetings with investees of our asset management customers, we discussed ESG issues relevant to the company's business and societal positioning, such as the environmental impacts of operations, addressing sustainable development, and the company's tax policy.

Authorised by our asset management customers (including the LocalTapiola ESG Dividend Finland fund), we attended 23 General Meetings in Finland. At 21 AGMs, we casted our votes in advance, and voted in line with the Board of Director's proposals; at two AGMs no voting took place.

A new matter discussed at the AGMs was the compensation policy, which the company must in future submit to the Annual General Meeting for advisory voting at least every four years. Compensation policies were discussed at the AGMs on a very general level, and therefore we requested from 10 companies clarification, in particular on the criteria behind the compensation policy.

Authorised by our asset management customers (including the LocalTapiola mutual funds), we attended 808 General Meetings outside Finland, in 39 countries. More information on General Meetings and voting behaviour is available on our responsible investment website and in our responsible investment annual report.

Jointly with other investors, we aimed to influence companies in engagements affecting climate change and supporting a sustainable protein production, for instance. Relating to the COVID-19 pandemic, we joined a PRI-supported initiative whereby we encourage companies to operate on a responsible and long-term basis to ensure business continuity and the security of their employees, customers and suppliers, and an initiative coordinated by our Eurapco partner, Achmea IM, to encourage pharmaceutical manufacturers to join forces to contain the virus. In addition, we are involved in a PRI-supported initiative whereby we encourage companies in the food and drink sector and in retail to commit to ensuring sufficient income for the employees in their raw materials sourcing chain.

We again took part in the CDP's non-disclosure campaign, through which we encouraged 11 of the over 600 companies on the target list towards environmental reporting. In addition, we participated in a CDP-launched SBT campaign, which strives to encourage companies to set climate science based targets to cut emissions. The campaign reaches out to some 1,900 companies.

More information on General Meetings and voting behaviour is available on our responsible investment website and in our responsible investment annual report. ([LahiTapiola.fi/kestavasijoittaminen](https://LahiTapiola.fi/kestavasijoittaminen)).

## Operating environment

### Economic environment

By all indicators, 2020 was an exceptional year in the economy and in investment markets. Early in the year, the global economic outlook was still stabilising and slowly getting stronger. In February and March, the COVID-19 pandemic however forced countries around the globe to institute large-scale economic lockdown and restrictive measures, as a result of which the level of financial activity plummeted in a historic fashion.

The major economic policy interventions stabilised the situation and reassured the financial markets somewhat, and in spring economies began to recover with the lifting of restrictive measures. During summer, the speed of economic recovery was more rapid than what was feared. Even though the speed of the recovery slowed down late in the year, the global economic outlook remains fundamentally positive: The economy will recover in 2021, but the start of the year is challenging due to the COVID-19 situation. In the latter half of the year, economic growth may rebound even considerably.

Economic recovery is also expected to continue in the eurozone, when the COVID-19 situation will be contained gradually. With a deterioration in the COVID-19 situation, the eurozone economy is expected to have contracted again late in the year. The COVID-19 situation will also exert a negative influence in the eurozone early in the year. However, the economic impacts of the restrictive measures taken are expected to remain more moderate than last spring. It appears that Finland will survive even the newest wave of infections with less damage than many other European countries.

Investment market development experienced constant ups and downs in 2020. In March share prices plummeted and uncertainty in the stock markets soared to a historic high. Conversely, market rebound was exceptionally strong. This development was underpinned by the massive aid and stimulus packages by countries and exceptional central bank aid, which are also expected to support the economy and the investment markets in future.

In bonds, corporate bonds and developing interest rate markets, price movements were also steep during the year. Extraordinary price movements

were experienced not only in equities and fixed-income investments but also in raw material prices and foreign exchange rates. In the exchange market, the euro gained on the dollar and on emerging market currencies during the year. With the foreign exchange rate movements that took place, of all fixed-income investments eurozone bonds offered the best yield for European investors.

## Solvency and risk management

### Solvency management

The solvency management process at LocalTapiola Asset Management is composed of CCR/CRD regulation compliant Pillar I solvency calculation and reporting and the company's own economic capital calculation model (ICAAP), which strengthens Pillar I calculation, taking into consideration the dimensions and risks not covered by Pillar I calculation. These include risks associated with the operating environment and changes in it. The analysis also incorporates the results of the annual risk identification. The Board of Directors determines the guidelines for the company's risk appetite in annual planning by setting the target levels for the relations between the capital requirements and own funds as well as for the quality of own funds. Solvency calculation takes place and the results are reported to the Board of Directors on a quarterly or as-needed basis.

At the close of 2020, the company's solvency ratio was 44.3 per cent (46.4%), and the solvency position is thus excellent. The result for 2020 was confirmed only after solvency calculation, which is why it is not included in Common Equity Tier 1 Capital. Considering this, solvency would have been 45.5 per cent (49%).

## Solvency calculation

	(% / EUR m)	2020	2019
<b>Own funds</b>			
CET1 capital before deductions		22.0	20.9
Deductions from CET1 capital		-0.5	-0.7
CET1 capital, total		21.5	20.2
Additional Tier 1 capital, total		0.0	0.0
<b>Tier 1 capital, total</b>		<b>21.5</b>	<b>20.2</b>
<b>Tier 2 capital, total</b>		<b>0.0</b>	<b>0.0</b>
<b>Own funds, total</b>		<b>21.5</b>	<b>20.2</b>
<b>Risk weighted items (Total risk exposure)</b>			
Based on fixed general costs		48.5	43.6
<b>Risk weighted items, total</b>		<b>48.5</b>	<b>43.6</b>
CET1 in relation to total risk exposure		44.3	46.4
Tier 1 capital in relation to total risk exposure		44.3	46.4
<b>Own funds in relation to total risk exposure</b>		<b>44.3</b>	<b>46.4</b>
Solvency ratio incl. result for the fin. period		45.5	49.0

## Risk management

Risk management at LocalTapiola Asset Management is based on current legislation and the regulations and guidelines issued on it. The company's operations adhere to LocalTapiola Group's risk and solvency management principles, and the company's risk management process is part of the Group's risk management process.

In the risk management plan approved annually, the company's Board of Directors defines the targets and limits of risk-taking, and it is responsible for organising risk management, regularly monitors the level and development of risk-taking and decides on the risk management measures needed, where appropriate. On an annual basis, LocalTapiola Group's risk management function submits to the Board of Directors a statement on the implementation of the risk management plan.

Executive management is responsible for day-to-day risk management and the development of the risk management process together with LocalTapiola Group's risk management function. Internal audit supports the management and the Board of Directors in developing monitoring and risk management.

The risk management process includes risk identification carried out in connection with annual planning, which assesses the strategic, operative and legal risks and those related to the operating environment which the company may face. The risks assessed to have operational relevance are recorded in the risk management plan, and risk management measures are defined for them.

No material changes from the previous year have taken place in the risk management principles.

### [Risk management in more detail](#)

The notes to the financial statements describe in more detail the organisation of risk management, monitoring of the various risk classes, and risk levels.

### [Corporate governance, personnel and remuneration](#)

### [LocalTapiola Group's corporate governance and management system](#)

LocalTapiola Group and the Group companies adhere to good corporate governance, which is based on legislation applicable to the insurance and finance sector, the regulations and guidelines issued by the Financial Supervisory Authority and, where applicable to mutual insurance companies, the Finnish Corporate Governance Code for listed companies.

LocalTapiola Group forms an insurance group referred to in the Insurance Companies Act, and LocalTapiola General is the group's leading parent company as specified in said Act. In this role, LocalTapiola General is responsible for reliable management, solvency monitoring, risk management, internal control and organisation of related regulatory reporting within the entire LocalTapiola Group and all Group companies.

The LocalTapiola Group companies have concluded intra-Group agreements on their mutual responsibilities and division of duties. LocalTapiola Group's Management Group, appointed by LocalTapiola General's Board of Directors, has broad representation from the various LocalTapiola Group companies and from the most important shared functions.

The Group's Management Group is responsible for the preparation of LocalTapiola Group's strategic and other Group-level matters, related decision-making and implementation, as well as for the overall control and development of the Group, within the authorisations granted to it by the Board of Directors that are in line with the joint agreement signed by and between the LocalTapiola Group companies.

As a subsidiary of LocalTapiola General, LocalTapiola Asset Management adheres to LocalTapiola

Group's shared corporate governance and management procedures.

### Annual General Meeting

LocalTapiola Asset Management Ltd's Annual General Meeting was held on 23 March 2020. The meeting approved the financial statements for 2019, decided on the use of the company's profit, discharged the members of the Board of Directors and the Managing Director from liability, and elected the company's auditor. The meeting also confirmed the number of the members of the Board of Directors and their remuneration. The Extraordinary General Meeting on 23 April 2020 confirmed the composition of the Board of Directors.

The General Meeting confirmed the profit distribution proposal by the Board of Directors on the dividend to be paid in 2020.

### Board of Directors

LocalTapiola Asset Management Ltd's Board of Directors comprises eight members, with a term of one year. The Board members shall have wide-ranging and complementary professional expertise and experience as well as the skills in the business operations of an investment company that are necessary taking the quality and scope of the company's operations into consideration.

In 2020, the Board of Directors held 15 meetings. The meeting participation rate was 93.89. The following served as Board members:

**Jari Eklund** (born 1963), Chair of the Board of Directors

- MSc (Econ.)
- Group Director, LocalTapiola Group

**Teija Kerminen** (born 1963)

- LL.M., EMBA
- Chief Legal Officer, LocalTapiola Group

**Tapio Oksanen** (born 1958)

- MSc (Econ.)
- Chief Financial Officer, Employment Fund

**Ulla Sipilä** (born 1957)

- Vocational qualification in Business Management
- Managing Director, LocalTapiola Kainuu-Koillismaa

**Samu Anttila** (born 1974) until 1 December 2020

- Master of Arts, eMBA, SHV Actuarial Qualification
- Deputy Managing Director, LocalTapiola Life

**Teemu Tähtinen** (born 1976) as of 1 December 2020

- MSc (Econ.), MSc (Tech.)
- Chief Investment Officer, LocalTapiola Life

**Juha Malm** (born 1966)

- LL.M., CEFA
- Chief Investment Officer, LocalTapiola General

**Pentti Kuusela** (born 1964)

- B.Sc.Soc (Insurance)
- Managing Director, LocalTapiola Pirkanmaa

**Mirel Leino-Haltia** (born 1971)

- PhD (Econ.), CFA
- Professor of Practice, Aalto University

**Jari Sundström** (born 1960) until 23 April 2020

- LL.M.
- Managing Director, LocalTapiola General

The salaries and remuneration paid to the Board of Directors, as well as their pension commitments, monetary loans, the terms and conditions thereof and contingent liabilities are presented in the notes to the financial statements.

### LocalTapiola Asset Management Ltd's Management Group

**Tom Liljeström** (born 1959) until 17 June 2020

- MSc (Tech.), MSc (Econ.)
- Managing Director until 17 June 2020

**Samu Anttila** (born 1974) as of 1 December 2020

- Master of Arts, eMBA, SHV Actuarial Qualification
- Managing Director as of 1 December 2020

**Jyrki Mäkelä** (born 1961)

- MSc (Econ.)
- Director, Managing Director's alternate

**Tarja Asula** (born 1958)

- MSc (Econ.)
- Administrative Director

**Jari Järvinen** (born 1967)

- PhD (Econ.)
- Chief Economist, Director

**Outi Kalpio** (born 1965)

- MSc (Econ.)
- Head of Equities & Fixed Income

**Satu Norhomaa** (born 1974)

- BBA
- Director, Corporate and Institutional Customers

**Tero Saarinen** (born 1974)

- Bachelor of Business Administration
- Director, Head of IT & Business Support



## Outi Vänni (born 1962)

- Master of Laws
- Director

## Hanna Vihavainen (born 1974) as of 1 April 2020

- Master of Laws
- Service Director, Legal and Compliance

### Managing Director

Tom Liljeström served as LocalTapiola Asset Management's Managing Director until 17 June 2020. Jyrki Mäkelä took care of the duties of Managing Director as a deputy for 18 June–30 November 2020. Samu Anttila started as Managing Director on 1 December 2020.

### Related parties

Related parties are described in the notes to the financial statements.

### Auditor

KPMG Oy Ab serves as the company's auditor, and the principal auditor appointed by KPMG Oy Ab is Timo Nummi, Authorised Public Accountant.

### Supervisory authority

LocalTapiola Asset Management is an investment firm subject to public supervision by the Financial Supervisory Authority (FIN-FSA). The FIN-FSA ensures that investment firms comply with legislation and the principles of good accounting, and that they apply appropriate methods in their operations. It monitors and assesses the financial position, the management, supervision and risk management systems, operating prerequisites and changes in the operating environment of the companies it supervises.

### Personnel

LocalTapiola Asset Management Ltd employed a total of 63 persons at year-end (31 December 2019: 61 persons).

Number of employees	2020	2019
On average	59	56

### Remuneration

The aim of the special remuneration scheme is to incentivise good performance and to boost the motivation and commitment of personnel. LocalTapiola Asset Management's remuneration policy is

based on the strategy of the Group and its companies, and the targets set on the basis of the strategy.

Remuneration is based on the person's good work performance in relation to the targets set. The bonus scheme is part of the remuneration package, and it is based on annual bonuses, although some bonus targets may measure periods that are longer than one year. The special remuneration scheme covers senior managers and all personnel.

When confirming the special remuneration scheme, the company strives to ensure that the scheme is in line with the business strategies, objectives and values of the company and of LocalTapiola Group as a whole, that it works in the Group's long-term interests, that it is compatible with the Group's principles of good and effective risk management, and that it does not encourage excessive risk-taking.

### Events after the financial period

A company belonging to LocalTapiola Group purchased the shares of the main owners of Seligson & Co Fund Management Ltd in 2020. The Group's objective is the centralised management of the funds business.

### Future prospects

#### Asset management activities

The challenges faced by the investment markets and by the economic outlook will, with the prolonged pandemic, continue in 2021. Market development has a significant impact on the company's financial performance.

We are actively involved in LocalTapiola Group's lifelong security strategy by making asset management services available to small investors better than thus far. The Group is in the process of renewing its strategy during 2021, and LocalTapiola Asset Management participates closely in planning in the Finance, savings and investment sub-area.

The role which responsibility plays in our customer's investment activities and in the demand for investment services is growing further, and we are developing products to meet this need. Additionally, we want to maintain our competitive edge in the world of low yields and ever-fiercer price competition.

## Investment activities

With decreased interest rate levels, the outlook of fixed-income investments for the current year is more challenging than before. The outlook for the stock market is somewhat two-sided. The economic outlook, which is strengthening with COVID-19 vaccinations, the major economic policy interventions, zero interest rates and investors' search for yield still support risk-taking. On the other hand, several uncertainty factors remain, and the valuation levels of shares have increased. Share market pricing must be geared to the prevailing interest rate environment, so the question of valuation levels ultimately also returns to the relative valuation of asset classes.

In the short term, investors' attention focuses on economic recovery, recovery measures and COVID-19 vaccinations. For these, time will tell whether development will conform to market expectations or not. Later we will face the economic adjustment measures and other long-term questions. Factors behind political and geopolitical uncertainty may also cause price swings. The situation underlines the long cycle and risk management of investment activities.

## Proposal on measures concerning profit and unrestricted equity

### Proposal by the Board of Directors to the Annual General Meeting

Distributable assets in the financial statements total 19,971,622.14, of which the profit for the financial period is 548,484.90. There have been no material changes in the company's financial position after the end of the financial period, and neither does the solvency test referred to in Chapter 13(2) of the Limited Liability Companies Act have a bearing on the amount of distributable assets.

However, the company's operations face factors of uncertainty caused by the COVID-19 pandemic and by a business transformation, which must be addressed when making a decision on the distribution of any dividend.

The Board of Directors proposes to the General Meeting to be held on 9 April 2021 that, from the profit for the 2020 financial period, no dividend be paid on either share series (not on A series or B series) but that the profit for the financial period, EUR 548,484.90, be transferred in full to the profit and loss account of previous financial periods.

# Financial statements 1 January–31 December 2020

## Balance sheet, LocalTapiola Asset Management

	note number	31.12.2020	31.12.2019
<b>ASSETS</b>			
Receivables from credit institutions			
Payable on demand	1, 2, 10, 11, 12	20,822,097.77	20,592,274.77
Shares and holdings	1, 3, 11, 12	370.00	370.00
Shares and holdings of companies in the same Group	1, 3, 11, 12	713,878.93	713,878.93
Intangible assets	4, 5, 11, 12	531,724.23	657,156.00
Tangible assets			
Other tangible assets	5, 11, 12	84,967.59	70,003.66
Other assets	6, 11, 12	3,739,712.07	5,024,478.22
Prepayments and accrued income	7, 11, 12	2,164,063.35	485,343.48
<b>Total assets</b>		<b>28,056,813.94</b>	<b>27,543,505.06</b>
<b>LIABILITIES</b>			
<b>Liabilities</b>			
Other liabilities			
Other liabilities		783,383.34	987,016.83
Obligatory provisions		200,000.00	0.00
Total other liabilities	8, 11, 12	983,383.34	987,016.83
Accruals and deferred income	9, 11, 12	4,476,924.01	3,944,576.54
<b>Total liabilities</b>		<b>5,460,307.35</b>	<b>4,931,593.37</b>
<b>Shareholders' equity</b>			
Share capital	13, 14	933,350.00	933,350.00
Additional paid-in capital	13	1,691,534.45	1,691,534.45
Non-restricted reserves			
Reserve for invested non-restricted equity	13	2,283,861.38	2,283,861.38
Profit (loss) for previous periods	13	17,139,275.86	16,560,848.59
Profit (loss) for the period	13	548,484.90	1,142,317.27
<b>Total shareholders' equity</b>		<b>22,596,506.59</b>	<b>22,611,911.69</b>
<b>Total liabilities and shareholders' equity</b>		<b>28,056,813.94</b>	<b>27,543,505.06</b>

## Income statement, LocalTapiola Asset Management

	note number	1.1.-31.12.2020	1.1.-31.12.2019
Net commissions	17, 31	20,152,624.13	21,199,849.21
Income from equity investments	18		
From companies in the same Group		11,100.41	9,418.53
Other operating income	20	458,540.10	443,269.08
<b>NET INCOME FROM INVESTMENT SERVICE OPERATION</b>		<b>20,622,264.64</b>	<b>21,652,536.82</b>
Commission expenses	17	283,266.38	5,713.42
Interest expenses	19	118,925.92	31,624.88
Administrative expenses			
Personnel costs			
Salaries and remunerations	27, 28	6,280,086.94	5,180,598.82
Social expenses			
Pension costs	24, 27, 28	1,159,330.49	1,292,122.52
Other social expenses		203,770.05	88,031.36
Total social expenses		1,363,100.54	1,380,153.88
Total personnel costs		7,643,187.48	6,560,752.70
Other administrative expenses		10,451,363.59	11,941,687.34
Total administrative expenses		18,094,551.07	18,502,440.04
Depreciation/amortisation and write-downs on tangible and intangible assets	22	519,263.29	621,297.75
Other operating expenses	21, 30	866,631.01	1,059,440.57
<b>OPERATING PROFIT (-LOSS)</b>		<b>739,626.97</b>	<b>1,432,020.16</b>
Income taxes		191,142.07	289,702.89
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>548,484.90</b>	<b>1,142,317.27</b>

## Indirect cash flow statement, LocalTapiola Asset Management

	2020	2019
<b>Cash flow from operating activities</b>		
<b>Operating profit (loss)</b>	<b>739,626.97</b>	<b>1,432,020.16</b>
Taxes paid	298,392.58	-349,602.60
Adjustments to operating profit		
Planned depreciation	519,263.29	621,297.75
Income from equity investments	-11,100.41	-9,418.53
Other adjustments	200,000.00	0.00
Other adjustments, total	188,899.59	-9,418.53
Adjustments to operating profit	<b>708,162.88</b>	<b>611,879.22</b>
Other assets	1,284,766.15	-908,253.97
Prepayments and accrued income	-1,678,719.87	30,869.03
Increase (-) or decrease (+) in operating assets	<b>-393,953.72</b>	<b>-877,384.94</b>
Other liabilities	-203,633.49	-289,080.12
Accruals and deferred income	532,347.47	174,819.22
Paid taxes as adjustment of tax debt	-489,534.65	59,899.71
Increase (-) or decrease (+) in operating liabilities	-160,820.67	-54,361.19
<b>Net cash used in operating activities (A)</b>	<b>1,191,408.04</b>	<b>762,550.65</b>
<b>Net cash used in investing activities</b>		
Dividends received	11,100.41	9,418.53
Intangible and tangible assets	-408,795.45	-150,401.00
<b>Cash flow from investing activities (B)</b>	<b>-397,695.04</b>	<b>-140,982.47</b>
<b>Net cash provided by (used in) financing activities</b>		
Dividends paid	-563,890.00	-800,360.00
<b>Net cash provided by (used in) financing activities</b>	<b>-563,890.00</b>	<b>-800,360.00</b>
<b>Net increase/decrease in cash and cash equivalents (A+B+C)</b>		
increase (+) / decrease (-)	<b>229,823.00</b>	<b>-178,791.82</b>
<b>Cash and cash equivalents at year-start</b>	20,592,274.77	20,771,066.59
<b>Cash and cash equivalents at year-end</b>	20,822,097.77	20,592,274.77
<b>Net increase/decrease in cash and cash equivalents</b>	<b>229,823.00</b>	<b>-178,791.82</b>

## Key figures, LocalTapiola Asset Management

KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT	2020	2019	2018
Capital and reserves (on average), EUR million	22.6	22.4	22.6
Balance sheet total (on average), EUR million	27.8	27.4	28.1
Commission income, EUR million	20.2	21.2	20.7
Turnover, EUR million	20.6	21.7	21.0
Operating profit/loss, EUR million	0.7	1.4	2.0
Operating profit, % of turnover	3.6	6.6	9.6
Return on equity (ROE), %	2.4	5.1	7.1
Return on assets (ROA), %	2.0	4.2	5.7
Equity ratio, %	80.5	82.1	81.5
Cost/return ratio	1.0	0.9	0.9

## Formulas for key figures and ratios

### General key figures describing financial development

#### CALCULATION OF KEY FIGURES

##### 1) Important net income calculations

Turnover = income statement Net income from investment service operations

##### 2) Return on equity as percentage (ROE)

$$\frac{\text{Operating profit - income taxes}}{\text{Shareholders' equity and minority interest + appropriations less deferred tax liabilities (average of start and end of year)}} \times 100$$

##### 3) Return on assets as percentage (ROA)

$$\frac{\text{Operating profit - income taxes}}{\text{Average balance sheet total (average of start and end of year)}} \times 100$$

##### 4) Equity ratio as percentage

$$\frac{\text{Shareholders' equity and minority interest + appropriations less deferred tax liabilities}}{\text{Balance sheet total}} \times 100$$

##### 5) Cost/income ratio

$$\frac{\text{Commission excenses + Interest expenses + Administrative expenses + Depreciation and amortisation for tangible and intangible assets + Other operating expenses}}{\text{Net income from investment service operations}}$$

## Notes, LocalTapiola Asset Management

### Notes to balance sheet items, LocalTapiola Asset Management

#### 1. Categories of financial assets

	2020	2019
Valued at cost	21,535,976.70	21,306,153.70
Measured at fair value	370.00	370.00
<b>Total</b>	<b>21,536,346.70</b>	<b>21,306,523.70</b>

#### 2. Receivables from credit institutions

	2020	2019
Domestic credit institutions		
Payable on demand	20,822,097.77	20,592,274.77

#### 3. Shares and holdings

	2020	2019
Share and holdings in other companies		
Measured at fair value		
of other comprehensive income		
Others than publicly listed	370.00	370.00
Share and holdings in other companies in the same group		
Others than publicly listed	713,878.93	713,878.93
<b>Total</b>	<b>714,248.93</b>	<b>714,248.93</b>
valued at cost	714,248.93	714,248.93
used for stock lending	-	-
investments in shares of credit institution	-	-

#### 4. Intangible assets

	2020	2019
ICT systems design and programming costs	531,724.23	657,156.00

#### 5. Charges in intangible and tangible assets during the financial year

	2020	2019
<b>Intangible assets</b>		
Acquisition cost 1 January	3,018,613.00	2,873,607.00
+ increases during the year	365,509.00	145,006.00
<b>Acquisition cost 31 December</b>	<b>3,384,122.00</b>	<b>3,018,613.00</b>
Accumulated depreciation and amortisation 1 January	-2,361,457.00	-1,763,493.80
- planned depreciation	-490,940.77	-597,963.20
<b>Accumulated depreciation and amortisation 31 December</b>	<b>-2,852,397.77</b>	<b>-2,361,457.00</b>
<b>Book value 31 December</b>	<b>531,724.23</b>	<b>657,156.00</b>
Book value 1 January	657,156.00	1,110,113.20
<b>Tangible assets</b>		
Other tangible assets		
Acquisition cost 1 January	398,146.47	392,751.47
+ increases during the year	107,286.45	33,000.00
- decreases during the year	-64,000.00	-27,605.00
<b>Acquisition cost 31 December</b>	<b>441,432.92</b>	<b>398,146.47</b>
Accumulated depreciation and amortisation 1 January	-328,142.81	-304,808.26
- planned depreciation	-28,322.52	-23,334.55
<b>Accumulated depreciation and amortisation 31 December</b>	<b>-356,465.33</b>	<b>-328,142.81</b>
<b>Book value 31 December</b>	<b>84,967.59</b>	<b>70,003.66</b>
Book value 1 January	70,003.66	87,943.21

#### 6. Other assets

	2020	2019
Other assets		
Other deferred income	3,739,712.07	5,024,478.22

## 7. Prepayments and accrued income

	2020	2019
Prepayments and accrued income		
Other deferred income	2,164,063.35	485,343.48

## 8. Other liabilities

	2020	2019
Other liabilities		
Other than payment transfer liabilities	783,383.34	987,016.83
Obligatory provisions	200,000.00	0.00
<b>Total</b>	<b>983,383.34</b>	<b>987,016.83</b>

Obligatory provisions include preparation for future factors of uncertainty and for the process development needs observed.

## 9. Accruals and deferred income

	2020	2019
Deferred expenses		
Other deferred expenses than interest liabilities	4,476,924.01	3,944,576.54

## 10. Final assets and liabilities by maturity

Maturity	less than 3 mo.	2020	2019
Receivables from credit institutions	20,822,097.77	20,822,097.77	20,592,274.77

## 11. Assets denominated in euros and foreign currencies and members of the same group

Asset, in euros	Domestic currency	Foreign currency	of which belong to the same group	2020 total	2019 total
Receivables from credit institutions	20,822,097.77	-	-	20,822,097.77	20,592,274.77
Other assets	7,234,716.17	-	120,242.87	7,234,716.17	6,951,230.29
<b>Total</b>	<b>28,056,813.94</b>	<b>-</b>	<b>120,242.87</b>	<b>28,056,813.94</b>	<b>27,543,505.06</b>
Other liabilities	983,383.34	-	436,150.91	983,383.34	987,016.83
Accruals and deferred income	4,476,924.01	-	0.00	4,476,924.01	3,944,576.54
<b>Total</b>	<b>5,460,307.35</b>	<b>-</b>	<b>436,150.91</b>	<b>5,460,307.35</b>	<b>4,931,593.37</b>

## 12. Fair and book values of financial assets and liabilities and hierarchy of fair values

### Assets and liabilities that after entry are valued at fair value once or repeatedly on the balance sheet

Fair values of Tier 1 instruments are based the listed prices of identical assets or liabilities in active markets, such as the stock exchange, broker or price service. Tier 1 instruments are primarily domestically listed investment liabilities, which have been classified as available-for-sale. The market price of these assets is obtained from the current purchase price.

The fair values of Tier 2 instruments are obtained by valuation methods using market prices in active markets.

### Repeated fair values that are defined using significant other data than observable input data

Input data for Tier 3 assets or liabilities are not based on observable market data. Tier 3 includes equity instruments that do not have a market price on the markets and their fair value cannot be reliably defined, so they are valued at acquisition cost.



Fair values of assets and liabilities		2019	2020	2019
Financial assets	Fair value	Fair value	Book value	Book value
Receivables from credit institutions	20,822,097.77	20,592,274.77	20,822,097.77	20,592,274.77
Shares and holdings	370.00	370.00	370.00	370.00
Share and holdings in other companies in the same group	713,880.00	713,880.00	713,878.93	713,878.93
<b>Financial instruments valued at fair value on balance sheet</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>2020 Total</b>
<b>Financial assets</b>				
Shares and holdings			370.00	370.00
<b>Unrealised profits and losses of the financial period (Tier 3)</b>			-	

### 13. Shareholders' equity

	Financial period start	+ Increase - Decrease	Transfers between items	Financial period end
<b>Restricted equity</b>				
Share capital	933,350.00	0.00	-	<b>933,350.00</b>
Additional paid-in capital	1,691,534.45	0.00	-	<b>1,691,534.45</b>
<b>Non-restricted reserves</b>				
Reserve for invested non-restricted equity	2,283,861.38	0.00	-	<b>2,283,861.38</b>
<b>Profit or loss for previous periods</b>	16,560,848.59	-563,890.00	1,142,317.27	<b>17,139,275.86</b>
<b>Profit or loss for financial period</b>	1,142,317.27	548,484.90	-1,142,317.27	<b>548,484.90</b>
<b>Total</b>	<b>22,611,911.69</b>	<b>-15,405.10</b>	<b>0.00</b>	<b>22,596,506.59</b>

### 14. Share capital

	2020	2019
<b>Company shares divide into A- and B-series of shares.</b>		
<b>According to articles of association A-share has 100 votes and B-share has one vote.</b>		
<b>A-series of shares</b>		
Share capital at year-start	88,350.00	88,350.00
Share issue exercised on financial period	0.00	0.00
Share capital at year-end	88,350.00	88,350.00
Nominal value of shares	No	No
Number of shares at year-start	190.00	190.00
Change in the number of shares at share issue	0.00	0.00
Number of shares at year-end	190.00	190.00
<b>B-series of shares</b>		
Share capital at year-start	845,000.00	845,000.00
Share issue exercised on financial period	0.00	0.00
Share capital at year-end	845,000.00	845,000.00
Nominal value of shares	No	No
Number of shares at year-start	18,000.00	18,000.00
Change in the number of shares at share issue	0.00	0.00
Number of shares at year-end	18,000.00	18,000.00
<b>Company minimum capital</b>	<b>730,000.00</b>	<b>730,000.00</b>
<b>Company maximum capital</b>	<b>1,690,000.00</b>	<b>1,690,000.00</b>

### 15. Stock issues, stock options and issued convertible bonds

No

## 16. Largest shareholders and distribution of ownership of shares

	2020	2020	2020
	Number of shares	% of shares	% of votes
<b>Share distribution</b>			
<b>A-series of shares</b>			
LocalTapiola General Mutual Insurance Company	190.00	100 %	100 %
<b>Total</b>	<b>190.00</b>	<b>100 %</b>	<b>100 %</b>
<b>B-series of shares</b>			
LocalTapiola General Mutual Insurance Company	5,999.00	33 %	33 %
LocalTapiola Mutual Life Insurance Company	6,000.00	33 %	33 %
Other LocalTapiola Group companies	6,001.00	33 %	33 %
<b>Total</b>	<b>18,000.00</b>	<b>100 %</b>	<b>100 %</b>
<b>Share distribution, total</b>			
LocalTapiola General Mutual Insurance Company	6,189.00	34 %	68 %
LocalTapiola Mutual Life Insurance Company	6,000.00	33 %	16 %
Other LocalTapiola Group companies	6,001.00	33 %	16 %
<b>Total</b>	<b>18,190.00</b>	<b>100 %</b>	<b>100 %</b>

Notes to income statement items, LocalTapiola Asset Management

**17. Net commissions and fees**

	<b>2020</b>	<b>2019</b>
<b>Net commissions</b>		
Asset management	20,152,624.13	21,199,849.21
<b>Commission expenses</b>		
Payments flow	-12,582.84	-5,713.42
Financial management	-270,683.54	0.00
<b>Total</b>	<b>-283,266.38</b>	<b>-5,713.42</b>

**18. Income from equity investments**

	<b>2020</b>	<b>2019</b>
<b>Dividend income from shares and holdings</b>		
From companies in the same Group	11,100.41	9,418.53

**19. Interest income and expenses by balance sheet item**

	<b>2020</b>	<b>2019</b>
<b>Interest expenses</b>		
Other interest expenses	118,925.92	31,624.88
of which belonging to the same group	-	-

**20. Other operating income**

	<b>2020</b>	<b>2019</b>
Other income	458,540.10	443,269.08

**21. Other operating expenses**

	<b>2020</b>	<b>2019</b>
Rent expenses	414,865.66	480,222.94
Other expenses	451,765.35	579,217.63
<b>Total</b>	<b>866,631.01</b>	<b>1,059,440.57</b>

**22. Depreciation and amortisation on tangible and intangible assets**

	<b>2020</b>	<b>2019</b>
<b>Intangible assets</b>		
Planned depreciation	490,940.77	597,963.20
<b>Tangible assets</b>		
Planned depreciation	28,322.52	23,334.55
<b>Total depreciation</b>	<b>519,263.29</b>	<b>621,297.75</b>

**23. Notes on business areas and geographical markets**

The company is an investment services company. Its primary business comprises of asset management. The geographical operating area is Finland nation-wide through the LocalTapiola Group's regional network. The company does not have a network of offices outside of Finland. Personnel data is listed in Note 26.

#### 24. Pension liabilities

Statutory pensions for personnel are organised using TyEl insurance through Elo Mutual Pension Insurance Company and additional pension insurance through LocalTapiola Mutual Life Company.

#### 25. Off-balance-sheet commitments

<b>Joint responsibility associated with VAT group registration (Section 188, Finnish VAT Act)</b>	<b>2020</b>	<b>2019</b>
Within one year		
Group companies	-73,615.35	-2,494,118.82
Other group companies	903,615.99	1,941,043.52
<b>Total</b>	<b>830,000.64</b>	<b>-553,075.30</b>
<i>VAT liability with a positive sign = VAT debt</i>		
<i>VAT liability with a negative sign = VAT receivable</i>		
 <b>Auditing responsibility of property investments, according to Section 120 of Finnish VAT Act</b>	 <b>2020</b>	 <b>2019</b>
10-year auditing period		
Other group companies	40,798,941.88	42,477,118.25

#### Notes to the personnel and management

#### 26. Number of employees

	<b>2020</b>	<b>2019</b>
<b>On average</b>		
Permanent full-time employees	52	53
Permanent part-time employees	5	1
Fixed-term employees	2	2
<b>Total</b>	<b>59</b>	<b>56</b>

#### 27. Managements' salaries and remunerations, pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities

	<b>2020</b>	<b>2019</b>
<b>Managing director and deputy managing director</b>		
Salaries and remunerations	384,038.00	487,137.00
Pension commitments	Is stated by the law	
	Statutory pensions for management are organised using TyEL basic insurance through Elo Mutual Pension Insurance Company and additional pension insurance through LocalTapiola Mutual Life Insurance Company.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
 <b>Members of the board and deputy board members</b>		
Salaries and remunerations	48,100.00	45,000.00
Pension commitments	Is stated by the law	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	

#### 28. Related party loans and transactions

	<b>2020</b>	<b>2019</b>
Loans granted to parties belonging to the insider register of the company	0.00	0.00
The company has not carried out related party transactions involving non-conventional commercial terms and conditions.		
Information on the contingent liability relating to value-added tax category identification can be found in Appendix 25.		

## Other notes

### 29. Notes to income taxes

	2020	2019
Tax based on taxable income	190,963.79	291,965.38

### 30. Fees paid to auditor

	2020	2019
Audit	13,640.00	22,320.00
Other services	7,068.00	24,180.00
<b>Total</b>	<b>20,708.00</b>	<b>46,500.00</b>

### 31. Total controlled customer assets

Local Tapiola Asset Management Ltd offers trustee asset management services to its customers.

	2020	2019
Asset management services		
<b>Total customer assets</b>	<b>10,986,717,092.29</b>	<b>11,091,151,589.18</b>

### 32. Notes pertaining to a company that is a Group member

Parent company LocalTapiola General Mutual Insurance Company presents the financial statement of the group.

Parent company financial statements available at [www.lahitapiola.fi](http://www.lahitapiola.fi)

## Accounting principles

LocalTapiola Asset Management Ltd's financial statements and report of the Board of Directors have been prepared in accordance with the Finnish Accounting Act and Decree; the Act on Investment Services; the Act on Credit Institutions; the Ministry of Finance's decree on the financial statements, consolidated financial statements and report of the Board of Directors of credit institutions and investment firms; the regulations and instructions of the Financial Supervisory Authority; and the general guidelines of the Accounting Board.

## General information

LocalTapiola Asset Management Ltd is owned by LocalTapiola General Mutual Insurance Company, LocalTapiola Mutual Life Insurance Company and the regional non-life insurance companies part of LocalTapiola Group.

LocalTapiola Asset Management Ltd's (business ID 1604393-7) domicile is Espoo and its address is Revontulenkujä 1, 02100 Espoo, Finland. The financial statements are available at [www.lahitapiola.fi](http://www.lahitapiola.fi).

The Board of Directors approved the financial statements for 1 January–31 December 2020 in its meeting on 3 March 2021.

## Summary of key accounting principles

The **receivables from credit institutions** item includes deposits made with credit institutions. Receivables to be repaid no later than within one day of cancellation are considered receivables payable on demand. Negotiable receivables from credit institutions are not recognised in the balance sheet item.

**Debt securities** comprise all marketable debt instruments, such as treasury bills, local government papers, bonds issued by governments and other public entities, banks' certificates of deposits, commercial papers as well as bonds and convertible bonds issued by banks and companies. Debt securities are classified for valuation as measured at amortised cost.

**Shares and holdings** are individually classified for valuation as financial assets at fair value. Subsequent valuation is achieved at cost, if the fair value cannot be determined reliably (Tier 3).

Investments in subsidiaries and investments in associated and joint undertakings are measured at amortised cost.

In **intangible assets**, the design expenses of IT systems acquired for value and the costs of renovations in apartments have been activated as other long-term expenditure. They are amortised over 10 years from commissioning or a shorter economic period of utilisation.

The **other tangible assets** balance sheet item comprises equipment, presented in the balance sheet at cost less planned amortisation and depreciation. The annual amortisation rate of equipment is 25% of net expenditure.

Under **net commissions**, commissions are recognised when the service or separate measure has been carried out. The amount of net commissions is the fair value of the consideration received.

**Interest income** shows the interest income derived from the balance sheet items included in the "Receivables from credit institutions" assets. Negative interest rates are shown in interest expenses.

**Other operating expenses** shows rental expenses as well as the control, inspection and membership fees of authorities.

## Changes in accounting principles affecting the comparability of the result for the financial period with the result for the previous financial period

No material changes have taken place in the accounting principles.

## Notes on solvency management and risk management

LocalTapiola Asset Management's solvency management process is based on current European Union and national legislation and the guidelines, regulations and standards issued on it.

LocalTapiola Asset Management's risk management is based on current legislation, on the regulations, guidelines and interpretations issued on it, and on LocalTapiola Group's risk management policy and practices. The company's risk management process is part of the group's Own Risk and Solvency Assessment (ORSA).

## Publication of solvency data

The solvency data described in the Act on Credit Institutions and in the Financial Supervisory Authority's regulations are included in the company's report of the Board of Directors.

## Rationale for risk management

Risk management refers to active and proactive activities that aim to identify, assess, limit, utilise and monitor business threats and new opportunities arising from changing external and internal conditions or LocalTapiola's own strategic intent. The aim is to promote the continuity of customers' financial security and support the reaching of the Group's operational and financial targets. In accordance with the principles of corporate responsibility, the Group manages its risks and provides reliable information on risks and risk management to customers and other stakeholders.

The key areas of risk management and the risk categories are:

### Financial risks

- Risks relating to solvency management
- Market risks
- Credit risks
- Liquidity risks
- Concentration risks

### Operational risks

- Risks relating to business planning
- Process risks
- Systemic risks
- Personnel risks
- Legal risks
- Risks of damage

### Risks associated with the operating environment and strategy

- Risks associated with the general operating environment
- Risks associated with changes in the markets and customer behaviour
- Risks caused by the nature of competition and by competitors
- Risks related to strategic choices
- Group-level special risks

## Organisation of risk management

The company's Board of Directors has the overall responsibility for organising risk management. The Board defines the risk management targets, risk appetite, limits of risk-taking, responsibilities, metrics and monitoring principles. The Board annually confirms the plans that discuss risk management, ensures that they are taken into account in the operational plans and monitors the implementation of and compliance with these plans. On a regular basis, the Board also monitors the status of risk management and the development of key risks.

The Managing Director and senior management are responsible for the practical preparation and

implementation of risk management and for monitoring implementation. The business units are responsible for identifying risks related to their own operations and taking the related risk management measures required. The supervisors are to ensure that the control of operational processes is adequate and that there is always reliable and up-to-date information available on the results of the control. All employees have an obligation to report on any risks observed or areas for improvement identified in risk management.

LocalTapiola Group's risk management function supports the maintenance and development of the risk management process and is in charge of the company's solvency management process and solvency calculation.

The company's legal function ensures that the company's operations adhere to all laws, official regulations and internal guidelines. The supervisors are in charge of internal control for their own subordinates, also covering operational compliance. The Compliance Officer submits to the Board of Directors a report on the observations he or she has made each year.

Internal audit assists the Board of Directors and the management in the practical implementation of risk management control and risk monitoring. The auditing function also supervises the implementation of risk management.

## Risk identification, measurement and management

The identification of operational risks and of those caused to the operating environment, their probability and impacts are evaluated at the business units during annual planning and whenever there is a significant change in the risk position. A separate risk management plan is prepared for every risk that requires active management. The results of risk identifications are included in the company's solvency management process.

## Signatures to the report of the Board of Directors and financial statements for 1 January–31 December 2020

In Espoo, 3 March 2021

Jari Eklund  
Chair of the Board of Directors

Teija Kerminen

Pentti Kuusela

Mirel Leino-Haltia

Juha Malm

Tapio Oksanen

Ulla Sipilä

Teemu Tähtinen

Samu Anttila  
Managing Director



## Auditor's note

A report has been issued today on the audit performed.

In Espoo, 22 March 2021

KPMG Oy Ab

Timo Nummi  
Authorised Public Accountant



**KPMG Oy Ab**  
Töölönlahdenkatu 3 A  
PO Box 1037  
00101 Helsinki  
FINLAND

Telephone +358 20 760 3000  
www.kpmg.fi

*This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.*

# Auditor's Report

To the Annual General Meeting of LocalTapiola Asset Management Ltd

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of LocalTapiola Asset Management Ltd (business identity code 1604393-7) for the year ended 31 December, 2020. The financial statements comprise the balance sheet, income statement, indirect 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.

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

### **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 a 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 the Financial Statements**

Our objectives are to obtain reasonable assurance about 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 the 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**

#### **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 other information and, in doing so, consider whether the other 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, 22 March 2021

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*Authorised Public Accountant, KHT*