



LocalTapiola Asset Management Ltd

Report of the Board of Directors and financial  
statements for 2021

Business ID: 1604393–7



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# Report of the Board of Directors for 2021

LocalTapiola Asset Management Ltd's (business ID 1604393-7) domicile is Espoo and its address is Revontulenkuja 1, 02100 Espoo, Finland.

LocalTapiola Asset Management Ltd (LocalTapiola Asset Management) serves as the asset manager for the LocalTapiola Group companies, LocalTapiola funds and external investors. LocalTapiola Asset Management provides finance services which supplement LocalTapiola Group's lifelong security strategy, offering customers a full package of cost-efficient asset management solutions. LocalTapiola Asset Management provides service to institutional investors, companies, organisations and private customers. Private customers have access to LocalTapiola's award-winning mutual funds and Private Banking asset management services.

LocalTapiola Asset Management Ltd is owned by LocalTapiola General Mutual Insurance Company (LocalTapiola General), LocalTapiola Mutual Life Insurance Company (LocalTapiola Life) and the regional non-life insurance companies part of LocalTapiola Group. LocalTapiola Asset Management Ltd is consolidated into LocalTapiola Group's consolidated financial statements. The financial statements of LocalTapiola Group's leading parent company, LocalTapiola General (business ID 0211034-2), are available at [www.lahitapiola.fi](http://www.lahitapiola.fi).

## 1 Key information

- Operating profit EUR -1.8 million.
- Assets under management EUR 11,855.0 million
- Solvency ratio 464.8 per cent

## 2 Key events during the financial period

### 2.1 Balance sheet summary

Shareholders' equity totalled EUR 20.8 million (31 December 2020: EUR 22.6 million). The result for the financial period stood at EUR -1.8 million. No dividend was paid in 2021.

|                      | (% / EUR m) | 2021 | 2020 |
|----------------------|-------------|------|------|
| Liabilities          |             | 5.9  | 5.5  |
| Shareholders' equity |             | 20.8 | 22.6 |
| Balance sheet total  |             | 26.6 | 28.1 |

### 2.2 Result summary

In 2021, the company's operating profit was EUR -1.8 million (EUR +0.5 million). The result for the financial period includes non-recurring costs from the transfer of fund administration. Income from investment services rose to EUR 24.4 million (EUR 20.6 million). The strong market development in 2021 increased assets under management and net commissions.

|                                 | (% / EUR m) | 2021 | 2020 |
|---------------------------------|-------------|------|------|
| Net commissions                 |             | 23.9 | 20.2 |
| Income from investment services |             | 24.4 | 20.6 |
| Administrative expenses         |             | 19.7 | 18.1 |
| Operating profit                |             | -1.8 | 0.7  |
| Result for the financial period |             | -1.8 | 0.5  |

The calculation of key figures is described in the notes to the financial statements. The comparative figures for the profit and loss account items and periodic key figures are those reported for the previous year's corresponding period. The comparative figures for the balance sheet and other cross-sectional key figures are those representing the situation at the end of 2020. In the text, the figures for the comparison period or point in time are given in parentheses.

In autumn 2020, the LocalTapiola Group companies purchased Seligson & Co Fund Management Company Plc (Seligson & Co) to strengthen their saving and investment services. In November–December 2021, the administration of the LocalTapiola funds was transferred from S-Bank Fund Management Ltd to Seligson & Co. This transfer of administration enables more cost-efficient management of the LocalTapiola funds and brings increased flexibility into the development of the funds business. The transfer of fund administration entailed non-recurring costs, the effect of which led to the company posting a negative result for the financial period. Solvency remained at an excellent level.

LocalTapiola Asset Management ranked the best responsible investment asset manager in the Challenger category in a survey conducted by Scandinavian Financial Research (SFR) in 2021. LocalTapiola was rated the best Challenger category company in integrating responsibility into the investment process, and in responsibility reporting. The survey invited responses from some 100 of the biggest Finnish institutions.

International fund analysis and comparison company Lipper again awarded LocalTapiola Asset Management as the best Nordic asset manager in the small companies category. Asset Management has won the Best Overall Small Company Award for four years in a row now, and this was the fifth award in the course of the last ten years.

During the financial period, further steps were taken to promote practices to prevent money laundering and terrorism and to improve the reporting processes, including transaction reporting to authorities. The year 2021 saw the entering into effect of several regulatory changes which affect the company's business, and these were successfully implemented into our business operations.

### 2.3 Asset management services

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

The assets under management by Asset Management increased to EUR 11,855.0 million (31 December 2020: EUR 10,986.7 million). The assets of

the LocalTapiola funds increased to EUR 4,579.4 million (EUR 4,287.1 million).

|                              | (EUR m) | 2021     | 2020     | 2019     |
|------------------------------|---------|----------|----------|----------|
| Assets under management      |         | 11,855.0 | 10,986.7 | 11,091.2 |
| Assets of LocalTapiola Funds |         | 4,579.4  | 4,287.1  | 4,500.2  |

Our goal is to further strengthen our market position in the asset management market by providing asset management models that meet customer needs. LocalTapiola's strategic intent is to promote saving and investment know-how among our customers while expanding the customer base of asset management services as well as increasing the level of the assets under management. The upgraded package of investment services offered, together with a growing interest in investment and need to prepare for the future through saving and investment, provide a good opportunity to achieve this. In future, we will be developing financial services not only with LocalTapiola Life but also in cooperation with Seligson & Co, part of LocalTapiola Asset Management Group.

#### KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT

|                                   | (% / EUR m) | 2021 | 2020 | 2019 |
|-----------------------------------|-------------|------|------|------|
| Capital and reserves (on average) |             | 21.7 | 22.6 | 22.4 |
| Balance sheet total (on average)  |             | 27.3 | 27.8 | 27.4 |
| Net commissions                   |             | 23.9 | 20.2 | 21.2 |
| Turnover                          |             | 24.4 | 20.6 | 21.7 |
| Operating profit                  |             | -1.8 | 0.7  | 1.4  |
| Operating profit of turnover      |             | -7.6 | 3.6  | 6.6  |
| Return on equity (ROE)            |             | -8.5 | 2.4  | 5.1  |
| Return on assets (ROA)            |             | -6.7 | 2.0  | 4.2  |
| Equity ratio                      |             | 77.9 | 80.5 | 82.1 |
| Cost/return ratio                 |             | 1.1  | 1.0  | 0.9  |

LocalTapiola Asset Management serves as the asset manager for the LocalTapiola funds. Our customers include institutional investors, companies, organisations and private individuals.

We offer asset management services in the form of various service packages, the most notable being Institutional Asset Management, LocalTapiola Private Banking, and our investment solutions implementing the co-investment ideology. We invest customer assets in the same investment options in which we invest the funds of LocalTapiola Group insurance companies. COVID-19 has increased people's interest in financial preparation and in managing their own budget, and this together with the low interest environment and fluctuations in the investment market have boosted customer demand for mutual fund and asset management services.

## 2.4 Economic environment

In 2021, the global economy was back on the growth track after slumping heavily the previous year due to COVID-19. In 2022, the growth rate of the global economy is expected to moderate from the previous year.

Several central banks are set to gradually tighten their monetary policy. Some more, some less. In late 2021, the Federal Reserve System started withdrawing gradually from the COVID-19 extraordinary measures in place, and interest rate hikes are expected to begin in the course of 2022. In the eurozone, monetary policy will remain on an expansionary path for a longer period, even though the pandemic related purchases of securities are being wound down. The process of monetary policy normalization and tightening always involves uncertainty and there is a risk of policy errors.

The greatest risks with regard to growth prospects have to do with Russia's military action in Ukraine, the containment of the COVID-19 pandemic, and prolonged inflation. Russia's attack on Ukraine decelerates growth and accelerates inflation. The war together with the sanctions and countersanctions it brings about all magnify the risks for stagflation. In the financial markets, however, the long-term inflation expectations are priced reasonably moderately.

## 2.5 Investment market

Stock markets, especially developed ones, showed strong development in 2021. Share prices were supported by strong global recovery, progress in COVID-19 vaccination, a healthy profit situation shown by companies and

the expansionary monetary policy of central banks. Internationally, performance was strongest in the energy, finance and information technology sectors. Weak share price development was experienced on the Chinese stock market. In China, markets were affected by the repricing of political regulatory risks, weakened prospects for growth and difficulties in the real estate sector.

On an annual level, long-term interest rates increased both in the United States and in the eurozone. The rise in interest rates was reflected in nominal government bonds generating a negative yield. As for fixed-income asset classes, performance was strongest with inflation-linked government bonds. Meanwhile, raw materials and currencies witnessed major price developments.

# 3 Solvency and risk position

## 3.1 Solvency management

The solvency management process at LocalTapiola Asset Management is composed of Pillar I solvency calculation and reporting under the Investment Firms Regulation and Directive (IFR/IFD) adopted in June 2021 as well as the company's own internal capital and risk assessment model (ICARA), which strengthens Pillar I calculation, taking into consideration the operational risks not covered by Pillar I calculation. These include risks associated with the operating environment and with the changes taking place in it. 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 is carried out and the results are reported to the Board of Directors on a quarterly basis or more frequently, and as needed.

At the 2021 year-end, the company's solvency ratio under the new regulation stood at 464.8 per cent, meaning that the solvency position was at an excellent level.

### 3.2 Solvency position

|  | Balance sheet *) | 2021  | 2020  |
|--|------------------|-------|-------|
| Own funds  |                  | 20.2  | 21.7  |
| Tier 1 capital   |                  | 20.2  | 21.7  |
| Common equity tier 1 capital   |                  | 20.2  | 21.7  |
| Fully paid up capital instruments  | a                | 0.9   | 0.9   |
| Additional paid-in capital   | b                | 1.7   | 1.7   |
| Retained earnings  | d                | 17.7  | 17.7  |
| KIELIVERSIO PUUTTUU  | c                | 2.3   | 2.3   |
| Total deductions from common equity tier 1   |                  | -2.4  | -0.9  |
| Own CET1 instruments   |                  | 0.0   | 0.0   |
| Losses for the current financial year  | e                | -1.8  | 0.0   |
| Other intangible assets  | f                | -0.2  | -0.5  |
| CET1 instruments of financial sector entities where the institution does not have a significant investment | g                | -0.4  | -0.4  |
| CET1: Other capital elements, deductions and adjustments   |                  | 0.0   | 0.0   |
| Additional tier 1 capital  |                  | 0.0   | 0.0   |
| Tier 2 capital   |                  | 0.0   | 0.0   |
| Capital requirement for own funds  |                  |       |       |
| Fixed overheads  |                  | 17.4  | 18.8  |
| Capital requirement  |                  | 4.3   | 4.7   |
| Solvency ratio (CET1+AT1+T2, min. 100%)  |                  | 464.8 | 460.9 |
| Solvency ratio Tier 1 Capital (CET1+AT1/requirement, min. 75%)   |                  | 464.8 | 460.9 |
| Solvency ratio Common equity tier 1 capital (CET1/requirement, min. 75%)                                   |                  | 464.8 | 460.9 |

Balance sheet \*) reconciliation to the balance sheet of the financial statements

Note g includes investments in instruments of financial corporations included in the balance sheet item.

## 4 Risk management

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

The company's Board of Directors has the overall responsibility for organising risk management at the company. In the risk management plan approved annually, the Board of Directors defines the targets and limits for risk-taking, and it is responsible for organising risk management, monitors

the level and development of risk-taking on a regular basis and, where appropriate, decides on the necessary risk management measures. On an annual basis, Asset Management's risk management function submits to the company's Board of Directors a statement on the implementation of the risk management plan. As well as developing risk management capabilities, the risk management function supports business with efforts to implement the risk management process.

Executive management and the business units manage operational risks in compliance with the applicable legislation and LocalTapiola's policies. 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, operational and legal risks, and those relating to the operating environment, to which the company may be exposed. The risks assessed to have the greatest operational relevance are recorded in the risk management plan, and risk management measures are defined for them.

Over the course of the year, some minor updates were introduced into the risk management principles. As well as taking account of sustainability risks and in addition to introducing slight modifications into the solvency target levels, the principles now address the new solvency regulation affecting investment firms.

### 4.1 Risk management in more detail

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

## 5 Events after the financial period

LocalTapiola's asset management and finance companies form a group as of 1 January 2022. LocalTapiola Asset Management Ltd serves as the group's parent company, with Seligson & Co Fund Management Ltd and LocalTapiola Real Estate Asset Management Ltd as subsidiaries. LocalTapiola Alternative Investment Funds Ltd is a subsidiary of LocalTapiola Real



Estate Asset Management Ltd. As well as ensuring consistently good customer experience, operating as a group brings flexibility and synergy benefits.

LocalTapiola centralises investment sales and customer service with LocalTapiola Asset Management. The investment salespersons who worked at LocalTapiola regional companies, and LocalTapiola Life's Private organisation, transferred to LocalTapiola Asset Management as of 1 January 2022. In that same context, LocalTapiola Asset Management starts offering unit-linked insurance in the role of a LocalTapiola Life intermediary. The investment sales organisation operating under LocalTapiola Asset Management makes it possible to achieve the growth targets laid down in the lifelong security strategy and helps guarantee consistent customer experience.

## 6 Future prospects

### 6.1 Asset management business

With the prolonging pandemic and the crisis in Ukraine, the challenges faced by the investment markets and by the economic outlook will continue in 2022. Market development has a significant impact on the company's financial performance.

Our new Group strategy adopted in 2021 emphasises strong efforts to boost the package of saving and investment services provided as well as to develop further as a financial operator. Additionally, we want to maintain our competitive edge in the world of low yields and ever-fiercer price competition.

Significant investments to increase awareness of financial services in 2022 and consolidating and reinforcing the activity of the regional investment sales organisation serve as drivers of growth. Digital services and sustainability will assume a greater importance in the near future with regard to the development of activities and the services provided.

### 6.2 Investment activity

Russia's attack on Ukraine exerted a drastic impact on the global economic position, and geopolitical risks translated into reality in the worst manner

possible. After the armed attack by Russia, western countries imposed sanctions that are unprecedented in their scope to isolate Russia from the international community. It is as yet difficult to foresee the economic impacts from these sanctions and from the countersanctions which Russia may impose, but for the year 2022 markets will face critical challenges.

In the short term, uncertainty will weigh on risky asset items as investors seek safe haven investments. The sanctions by western countries and the countersanctions by Russia will have repercussions on the economic outlook, business forecasts and, consequently, investor risk appetite. In addition, the anti-inflationary measures by central banks may need to be re-evaluated, should the functioning and stability of capital markets be subject to significant pressures. As a whole, investment market prospects for the ongoing year have become extremely difficult to anticipate and they might change quite quickly one way or the other.

## 7 Administration

### 7.1 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 within the meaning of the Insurance Companies Act, and LocalTapiola General is the group's leading parent company as defined in said Act. In this role, LocalTapiola General is responsible for reliable management, solvency monitoring, risk management, internal control and the 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 persons responsible for the key 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 complies with LocalTapiola Group's shared corporate governance and management procedures.

## 7.2 Annual General Meeting

LocalTapiola Asset Management Ltd's Annual General Meeting was held on 9 April 2021. The meeting approved the financial statements for 2020, 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.

## 7.3 Board of Directors

A total of eight members sat on LocalTapiola Asset Management Ltd's Board of Directors during 2021. The term of the members of the Board of Directors is one year. Board members must have wide-ranging and complementary professional expertise and experience as well as the type of competence in the business operations of an investment firm that is necessary taking into consideration the quality and scope of the company's activities.

In 2021, the Board of Directors held 14 meetings. The meeting participation rate was 99.10%.

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) up to 9 April 2021

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

Tapio Oksanen (born 1958)

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

Ulla Sipilä (born 1957) up to 31 December 2021

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

Hanna-Leena Pesonen (born 1967) as of 9 April 2021

- Doctor of Science (Economics and Business Administration)
- Dean and Professor, Jyväskylä University School of Business and Economics

Teemu Tähtinen (born 1976)

- 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) up to 1 February 2022

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

Mirel Leino-Haltia (born 1971)

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

At LocalTapiola Asset Management's Extraordinary General Meeting held on 24 February 2022, Lauri Riekkola, Managing Director of LocalTapiola Loimi-Häme, was elected a member of the Board of Directors.

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.

## 7.4 LocalTapiola Asset Management Ltd's Management Group

The following persons were members of the company's Management Group:

Samu Anttila (born 1974)

- Master of Arts, eMBA, SHV Actuarial Qualification
- Managing Director

Jyrki Mäkelä (born 1961)

- MSc (Econ.)
- Director, Asset Management, temporary Managing Director

Joona Lappi (born 1985) as of 1 July 2021

- MSc (Econ.)
- Director, Sales and Accounts

Satu Norhomaa (born 1974)

- MBA
- Chief Operating Officer

Janne Pesonen (born 1965) as of 1 October 2021

- MSc (Tech.), SHV Actuarial Qualification
- Director, Finances and Administration, as of 1 October 2021

Hanna Vihavainen (born 1974)

- Master of Laws
- Director, Legal and Compliance

Tarja Asula (born 1958) up to 30 April 2021

- MSc (Econ.)
- Administrative Director

Jari Järvinen (born 1967) up to 30 September 2021

- PhD (Econ.)
- Chief Economist, Director

Outi Kalpio (born 1965) up to 30 September 2021

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

Tero Saarinen (born 1974) up to 30 September 2021

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

Outi Vänni (born 1962) up to 30 September 2021

- Master of Laws
- Director

## 7.5 Managing Director

Samu Anttila serves as LocalTapiola Asset Management Ltd's Managing Director.

## 7.6 Auditor

The Annual General Meeting elected KPMG Oy Ab to continue as LocalTapiola Asset Management Ltd's auditor, with Authorised Public Accountant Timo Nummi as the principal auditor appointed by KPMG Oy Ab.

## 7.7 Supervisory authority

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

## 7.8 Related parties

LocalTapiola Asset Management Ltd's related parties are discussed in the notes to the financial statements.

## 7.9 Personnel and remuneration

At year-end, LocalTapiola Asset Management Ltd employed a total of 62 persons (31 December 2020: 59 persons).

|                     |      |      |
|---------------------|------|------|
| Number of employees | 2021 | 2020 |
| On average          | 62   | 59   |

The aim of the special remuneration scheme is to incentivise good performance and to boost the motivation and commitment of personnel. Lo-

calTapiola Asset Management's remuneration policy is based on the strategy employed by the Group and the companies part of the Group as well as on the targets set on the basis of the strategy.

Remuneration is based on a 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.

Personnel are covered by LocalTapiola Group's personnel fund in the manner laid down in the fund rules. Personnel expenses include the company's share of the profit bonus item for 2021 payable to the personnel fund.

## 8 Responsibility and sustainability

Across its business, LocalTapiola Asset Management follows 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 our society.

### 8.1 Sustainable investment

In the course of 2021, LocalTapiola Asset Management has further developed its approaches to sustainable investment.

Early in the year, we tightened our sustainable investment policy, especially in terms of how climate change is addressed, by making the existing avoidance criteria binding on portfolio management. In equity and corporate bond selection, we do not invest in any businesses of whose turnover over 25 per cent comes from coal, lignite or peat used in energy production or of whose energy production more than 25 per cent is based on coal, lignite or peat. As we had already been avoiding any investment in these businesses, the tightening of the criteria did not affect our portfolio. For a number of years now, in our equity and corporate bond selection we have been investing, in carbon-intensive sectors, in businesses that have the best carbon footprint. We define carbon-intensive sectors as comprising energy (oil and gas companies), public utilities, waste management, aviation, shipping, and primary industries (materials).

We also made the other avoidance criteria binding in equity and corporate bond selection. As well as not investing in companies who break international norms or in manufacturers of controversial weapons, which we had previously already excluded, we do not invest in any companies of whose turnover over five per cent comes from X-rated products and services, manufacture of conventional arms, manufacture of tobacco products, or gambling. We further outlined that we will not invest in any businesses whose principal business model is based on consumer payday loans. This policy tightening did not affect any of our portfolios, as we had previously already taken steps to address these factors.

#### 8.1.1 Preventing climate change

In July 2021, we joined the Net Zero Asset Managers initiative, which is why we will by July 2022 set an interim target to reduce greenhouse gas emissions no later than in 2030 and, with regard to all investment assets, a net zero target for greenhouse gas emissions by 2050. On an annual basis, we will be reporting on the progress made to achieve this target. In the coming years, we are ready to invest in compliance with this target, participate in the development of methodologies, foster innovative solutions and, first and foremost, work together with our customers to set and achieve the targets. Investment in line with the net zero target for the

greenhouse gas emissions from investment assets is aligned with our target to generate value for our customers in the long term.

More information about LocalTapiola Asset Management's sustainability to curb climate change is available on our website in the report on responsible investment.

### 8.1.2 EU regulation of sustainable finance

The package of measures under the EU regulation of sustainable finance aims to steer funding to sustainable economic activities. At LocalTapiola Asset Management, we implemented the measures required under the Sustainable Finance Disclosure Regulation (SFDR, EU/2019/2088), including classifying the LocalTapiola funds as laid down in the regulation and in accordance with Articles 6, 8 and 9 into three categories: other investment products; financial products promoting, among other characteristics, environmental or social characteristics or a combination of those characteristics (so-called light-green investment products); and sustainable investment products (so-called dark-green investment products).

### 8.1.3 Transparent reporting

We are continuously developing the sustainability reviews specific to each fund, and early in the year we added to them environmental, sustainability and governance related scores from an external service provider. We added the relevant fund SFDR classification into these sustainability reviews. Furthermore, in portfolio specific sustainability reviews we also report the SFDR classifications of the investments included in customer portfolios. Late in the year, we added indicators describing the portfolio's sustainability or the portfolio sustainability characteristics as well as distributions illustrating General Meeting activity and meetings with the management of companies.

We discuss sustainability at LocalTapiola Group and LocalTapiola's activities in 2021 in more detail in a separate sustainability report published at [www.lahitapiola.fi/tietoa-lahitapiolasta/talous/vuosikertomukset-jatilinpaatokset](http://www.lahitapiola.fi/tietoa-lahitapiolasta/talous/vuosikertomukset-jatilinpaatokset).

## 8.2 LocalTapiola Asset Management as a responsible employer

LocalTapiola Asset Management also strives to act responsibly at a company level. Our greatest asset are our professional and motivated personnel. We as an employer keep constantly developing our responsibility efforts, and positive development is evident in a good working environment, spirit of cooperation and the results of the Roihu survey measuring employee well-being, tailored on the basis of the PEOPLEPOWER® concept by Corporate Spirit.

## 8.3 Corporate governance

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

In 2021, our portfolio managers attended a total of 803 meetings with the management of companies, mainly by virtual means. Of these meetings, 397 were with companies in which we invest. At some 65 per cent of the meetings, we discussed detailed sustainability aspects which emerged in our sustainability analysis, covering topics such as environmental effects, the circular economy and COVID-19 pandemic related social aspects. With regard to positive environmental effects, renewable energy production projects as well as green products, in particular, were highlighted. Furthermore, we discussed the measures taken in response to the COVID-19 pandemic, with most companies reporting that they have taken responsible action in the current situation, in particular by implementing flexibility to benefit their own employees and customers. At meetings held in the autumn, several banks at their own initiative raised the sustainability perspective to lending, raising of finance as well as asset management.

The 2021 General Meetings were held by virtual means, and our asset management customers (LocalTapiola funds included) attended a total of 45 Finnish and 1,037 international General Meetings represented by LocalTapiola Asset Management. More information on voting behaviour is available in the responsible investment annual report and on our responsible investment website ([lahitapiola.fi/kestavasijoittaminen](http://lahitapiola.fi/kestavasijoittaminen)).

We encourage companies to report on the climate risks to which their business is exposed in accordance with the TCFD's recommendations, and we sent the annual carbon footprint questionnaire to 67 companies. About one half of these companies replied to the questionnaire and, of them, over 80% announced that they already report, will for the first time in 2022 be reporting or are planning to report emission data. Additionally, we submitted a separate questionnaire to 57 businesses, encouraging them to set science-based targets to cut CO2 emissions. Some 40% of these businesses replied to the questionnaire, and approximately one half of them reported that they are currently planning to join the SBT initiative.

Comprehensive identification of the environmental risks to which investment portfolios are exposed is a key element to curbing climate change through investment. This is why we once again took part in the CDP's non-disclosure campaign through which we, together with other investors, encouraged 16 of the companies in which we invest appearing on the target list of over 1,000 companies towards environmental reporting. We also participated in a CDP-launched SBT campaign, which strives to encourage companies to set climate-science based targets to cut emissions.

We underscored our concerns regarding the urgent need for and the slow progress made with climate change actions by again signing the Global Investor Statement to Governments on the Climate Crisis, published ahead of both the G7 Leaders' Summit in June and the COP26 conference held in Glasgow in November.

We continued participation in the Sustainable Proteins impact project coordinated by the FAIRR A Collier Initiative investor network, which aims to reduce the negative impacts of protein production and to increase the use of plant-based and alternative proteins in food production.

Linked to the COVID-19 pandemic, we continued to influence pharmaceutical companies through the Covid-19 and the Pharmaceutical Sector initiative led by our Eurapco partner Achmea IM. Through the initiative, questions on the development of the research, manufacture and availability of COVID-19 medicines as well as on increased transparency were submitted to the General Meetings of the following companies: AstraZeneca,

Gilead Sciences, GlaxoSmithKline, Johnson & Johnson, Merck/MSD (USA), Pfizer, Sanofi and Thermo Fisher Scientific.

Furthermore, we offered our support to the EU initiative to improve the transparency of the payment of taxes by, and the accountability of, multinational enterprises through country-by-country tax reporting, by joining the PRI-supported initiative 'Investor statement on public country-by-country reporting (CBCR) requirements in the EU'. We supported the extension of this requirement to cover all countries of operation.

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

## 8.4 Recognitions

LocalTapiola Asset Management ranked the best responsible investment asset manager in the Challenger category in a survey conducted by Scandinavian Financial Research (SFR) in 2021. LocalTapiola was rated the best Challenger category company in integrating responsibility into the investment process, and in responsibility reporting. The survey invited responses from some 100 of the biggest Finnish institutions.

International fund analysis and comparison company Lipper again awarded LocalTapiola Asset Management as the best Nordic asset manager in the small companies category. Asset Management has won the Best Overall Small Company Award for four years in a row now, and this was the fifth award in the course of the last ten years.

LocalTapiola Asset Management acts in compliance with the UN's Principles for Responsible Investment (PRI). We annually report to the PRI on the execution of responsible investment. In 2021, with the renewal of the PRI reporting framework, the PRI had to postpone assessments concerning 2020 until spring 2022. The previous assessment report is available at the LocalTapiola website ([LahiTapiola.fi/vastuullinensijoittaminen](https://lahitapiola.fi/vastuullinensijoittaminen)).

## 9 Proposal on the use of the profit for the financial period

### Proposal by the Board of Directors

Distributable assets in the financial statements total EUR 18,128,950.44. 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 business is exposed to uncertainty caused by the COVID-19 pandemic and by 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 6 April 2022 that, from the result for the 2021 financial period, no dividend be paid on either share series (not on the A series or on the B series) but that the result for the financial period, EUR -1,842,671.70, be transferred in full to the profit and loss account of previous financial periods.



# Financial statements 1 January–31 December 2021

## 10 Financial statements LocalTapiola Asset Management Ltd

### 10.1 Balance sheet, LocalTapiola Asset Management

#### BALANCE SHEET

| ASSETS   | liitenumero      | IF* | 31.12.2021           | 31.12.2020           |
|--|------------------|-----|----------------------|----------------------|
| Receivables from credit institutions               |                  |     |                      |                      |
| Payable on demand                                  | 1, 2, 10, 11, 12 |     | 18,984,937.37        | 20,822,097.77        |
| Shares and holdings                                | 1, 3, 11, 12     |     | 370.00               | 370.00               |
| Shares and holdings of companies in the same Group | 1, 3, 11, 12     | g   | 713,878.93           | 713,878.93           |
| Intangible assets                                  | 4, 5, 11, 12     | f   | 213,847.81           | 531,724.23           |
| Tangible assets                                    |                  |     |                      |                      |
| Other tangible assets                              | 5, 11, 12        |     | 85,775.47            | 84,967.59            |
| Other assets                                       | 6, 11, 12        |     | 3,952,936.28         | 3,739,712.07         |
| Prepayments and accrued income                     | 7, 11, 12        |     | 2,676,728.02         | 2,164,063.35         |
| Total assets                                       |                  |     | <u>26,628,473.88</u> | <u>28,056,813.94</u> |
| LIABILITIES  |                  |     | 31.12.2021           | 31.12.2020           |
| Liabilities  |                  |     |                      |                      |
| Other liabilities                                  |                  |     |                      |                      |
| Other liabilities                                  | 8, 11, 12        |     | 664,116.26           | 783,383.34           |
| Accruals and deferred income                       | 9, 11, 12        |     | 4,810,522.73         | 4,476,924.01         |
| Total liabilities                                  |                  |     | 5,874,638.99         | 5,460,307.35         |
| Shareholders' equity                               |                  |     |                      |                      |
| Share capital                                      | 13, 14           | a   | 933,350.00           | 933,350.00           |
| Additional paid-in capital                         | 13               | b   | 1,691,534.45         | 1,691,534.45         |
| Non-restricted reserves                            |                  |     |                      |                      |
| Reserve for invested non-restricted equity         | 13               | c   | 2,283,861.38         | 2,283,861.38         |
| Profit (loss) for previous periods                 | 13               | d   | 17,687,760.76        | 17,139,275.86        |
| Profit (loss) for the period                       | 13               | e   | -1,842,671.70        | 548,484.90           |
| Total shareholders' equity                         |                  |     | 20,753,834.89        | 22,596,506.59        |
| Total liabilities and shareholders' equity         |                  |     | <u>26,628,473.88</u> | <u>28,056,813.94</u> |

\* Reference to own funds in the solvency report (IF)



## 10.2 Profit and loss account, LocalTapiola Asset Management

| INCOME STATEMENT  | note numbe | 1.1.-31.12.2021      | 1.1.-31.12.2020   |
|---|------------|----------------------|-------------------|
| Net commissions   | 17, 31     | 23,854,493.25        | 20,152,624.13     |
| Income from equity investments  | 18         |                      |                   |
| From companies in the same Group  |            | 10,091.28            | 11,100.41         |
| Other operating income  | 20         | 521,269.88           | 458,540.10        |
| NET INCOME FROM INVESTMENT SERVICE OPERATION                                |            | 24,385,854.41        | 20,622,264.64     |
| Commission expenses   | 17         | 1,232,717.58         | 283,266.38        |
| Interest expenses   | 19         | 100,962.28           | 118,925.92        |
| Administrative expenses   |            |                      |                   |
| Personnel costs   |            |                      |                   |
| Salaries and remunerations  | 27, 28     | 6,395,357.70         | 6,280,086.94      |
| Social expenses   |            |                      |                   |
| Pension costs   | 24, 27, 28 | 1,457,234.39         | 1,159,330.49      |
| Other social expenses   |            | 223,129.00           | 203,770.05        |
| Total social excenses   |            | 1,680,363.39         | 1,363,100.54      |
| Total personnel costs   |            | 8,075,721.09         | 7,643,187.48      |
| Other administrative expenses   |            | 11,618,146.98        | 10,451,363.59     |
| Total administrative expenses   |            | 19,693,868.07        | 18,094,551.07     |
| Depreciation/amortisation and write-downs on tangible and intangible assets | 22         | 348,801.24           | 519,263.29        |
| Other operating expenses  | 21, 30     | 4,853,004.15         | 866,631.01        |
| OPERATING PROFIT (-LOSS)  |            | -1,843,498.91        | 739,626.97        |
| Income taxes  |            | -827.21              | 191,142.07        |
| PROFIT (LOSS) FOR THE PERIOD  |            | <u>-1,842,671.70</u> | <u>548,484.90</u> |

## 10.3 Indirect cash flow statement, LocalTapiola Asset Management

| INDIRECT CASH FLOW STATEMENT                               | 2021          | 2020          |
|--|---------------|---------------|
| Cash flow from operating activities                        |               |               |
| Operating profit (loss)                                    | -1,843,498.91 | 739,626.97    |
| Taxes paid   | 73,501.91     | 298,392.58    |
| Adjustments to operating profit                            |               |               |
| Planned depreciation                                       | 348,801.24    | 519,263.29    |
| Income from equity investments                             | -10,091.28    | -11,100.41    |
| Other adjustments  | 200,000.00    | 200,000.00    |
| Other adjustments, total                                   | 189,908.72    | 188,899.59    |
| Adjustments to operating profit                            | 538,709.96    | 708,162.88    |
| Other assets   | -213,224.21   | 1,284,766.15  |
| Prepayments and accrued income                             | -512,664.67   | -1,678,719.87 |
| Increase (-) or decrease (+) in operating assets           | -725,888.88   | -393,953.72   |
| Other liabilities  | -119,267.08   | -203,633.49   |
| Accruals and deferred income                               | 333,598.72    | 532,347.47    |
| Paid taxes as adjustment of tax debt                       | -72,674.70    | -489,534.65   |
| Increase (-) or decrease (+) in operating liabilities      | 141,656.94    | -160,820.67   |
| Net cash used in operating activities (A)                  | -1,815,518.98 | 1,191,408.04  |
| Net cash used in investing activities                      |               |               |
| Dividends received   | 10,091.28     | 11,100.41     |
| Intangible and tangible assets                             | -31,732.70    | -408,795.45   |
| Cash flow from investing activities (B)                    | -21,641.42    | -397,695.04   |
| Net cash provided by (used in) financing activities        |               |               |
| Dividends paid   | 0.00          | -563,890.00   |
| Net cash provided by (used in) financing activities        | 0.00          | -563,890.00   |
| Net increase/decrease in cash and cash equivalents (A+B+C) |               |               |
| increase (+) / decrease (-)                                | -1,837,160.40 | 229,823.00    |
| Cash and cash equivalents at year-start                    | 20,822,097.77 | 20,592,274.77 |
| Cash and cash equivalents at year-end                      | 18,984,937.37 | 20,822,097.77 |
| Net increase/decrease in cash and cash equivalents         | -1,837,160.40 | 229,823.00    |

## 10.4 Key figures, LocalTapiola Asset Management

| KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT   | 2021 | 2020 | 2019 |
|--|------|------|------|
| Capital and reserves (on average), EUR million | 21.7 | 22.6 | 22.4 |
| Balance sheet total (on average), EUR million  | 27.3 | 27.8 | 27.4 |
| Commission income, EUR million                 | 23.9 | 20.2 | 21.2 |
| Turnover, EUR million                          | 24.4 | 20.6 | 21.7 |
| Operating profit/loss, EUR million             | -1.8 | 0.7  | 1.4  |
| Operating profit, % of turnover                | -7.6 | 3.6  | 6.6  |
| Return on equity (ROE), %                      | -8.5 | 2.4  | 5.1  |
| Return on assets (ROA), %                      | -6.7 | 2.0  | 4.2  |
| Equity ratio, %                                | 77.9 | 80.5 | 82.1 |
| Cost/return ratio                              | 1.1  | 1.0  | 0.9  |

## 10.5 Notes, LocalTapiola Asset Management

### 10.5.1 Notes to the balance sheet, LocalTapiola Asset Management

|  |               |               |
|--|---------------|---------------|
| 1. Categories of financial assets                                      | 2021          | 2020          |
| Valued at cost   | 19,698,816.30 | 21,535,976.70 |
| Measured at fair value   | 370.00        | 370.00        |
| Total  | 19,699,186.30 | 21,536,346.70 |
| 2. Receivables from credit institutions                                | 2021          | 2020          |
| Domestic credit institutions   |               |               |
| Payable on demand  | 18,984,937.37 | 20,822,097.77 |
| 3. Shares and holdings   | 2021          | 2020          |
| 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    |
| Total  | 714,248.93    | 714,248.93    |
| valued at cost   | 714,248.93    | 714,248.93    |
| used for stock lending   | -             | -             |
| investments in shares of credit institution                            | -             | -             |
| 4. Intangible assets   | 2021          | 2020          |
| ICT systems design and programming costs                               | 213,847.81    | 531,724.23    |
| 5. Charges in intangible and tangible assets during the financial year | 2021          | 2020          |
| Intangible assets  |               |               |
| Acquisition cost 1 January   | 3,384,122.00  | 3,018,613.00  |
| + increases during the year  | 2,333.00      | 365,509.00    |
| Acquisition cost 31 December   | 3,386,455.00  | 3,384,122.00  |
| Accumulated depreciation and amortisation 1 January                    | -2,852,397.77 | -2,361,457.00 |
| - planned depreciation   | -320,209.42   | -490,940.77   |
| Accumulated depreciation and amortisation 31 December                  | -3,172,607.19 | -2,852,397.77 |
| Book value 31 December   | 213,847.81    | 531,724.23    |
| Book value 1 January   | 531,724.23    | 657,156.00    |
| Tangible assets  | 2021          | 2020          |
| Other tangible assets  |               |               |
| Acquisition cost 1 January   | 441,432.92    | 398,146.47    |
| + increases during the year  | 51,399.70     | 107,286.45    |
| - decreases during the year  | -22,000.00    | -64,000.00    |
| Acquisition cost 31 December   | 470,832.62    | 441,432.92    |
| Accumulated depreciation and amortisation 1 January                    | -356,465.33   | -328,142.81   |
| - planned depreciation   | -28,591.82    | -28,322.52    |
| Accumulated depreciation and amortisation 31 December                  | -385,057.15   | -356,465.33   |
| Book value 31 December   | 85,775.47     | 84,967.59     |
| Book value 1 January   | 84,967.59     | 70,003.66     |

|   |                 |               |
|---|-----------------|---------------|
| 6. Other assets   | 2021            | 2020          |
| Other assets  |                 |               |
| Other deferred income   | 3,952,936.28    | 3,739,712.07  |
| 7. Prepayments and accrued income   | 2021            | 2020          |
| Prepayments and accrued income  |                 |               |
| Other deferred income   | 2,676,728.02    | 2,164,063.35  |
| 8. Other liabilities  | 2021            | 2020          |
| Other liabilities   |                 |               |
| Other than payment transfer liabilities   | 664,116.26      | 783,383.34    |
| Obligatory provisions   | 400,000.00      | 200,000.00    |
| Total   | 1,064,116.26    | 983,383.34    |
| Obligatory provisions include preparation for future factors of uncertainty and for the process development needs observed. |                 |               |
| 9. Accruals and deferred income   | 2021            | 2020          |
| Deferred expenses   |                 |               |
| Other deferred expenses than interest liabilities   | 4,810,522.73    | 4,476,924.01  |
| 10. Final assets and liabilities by maturity  | 2021            | 2020          |
| Maturity  | less than 3 mo. |               |
| Receivables from credit institutions  | 18,984,937.37   | 20,822,097.77 |

#### 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 | 2021 total    | 2020 total    |
|--------------------------------------|-------------------|------------------|-----------------------------------|---------------|---------------|
| Receivables from credit institutions | 18,984,937.37     | -                | -                                 | 18,984,937.37 | 20,822,097.77 |
| Other assets                         | 7,643,536.51      | -                | 24,515.57                         | 7,643,536.51  | 7,234,716.17  |
| Total                                | 26,628,473.88     | -                | 24,515.57                         | 26,628,473.88 | 28,056,813.94 |
| Other liabilities                    | 1,064,116.26      | -                | 254,567.93                        | 1,064,116.26  | 983,383.34    |
| Accruals and deferred income         | 4,810,522.73      | -                | 0.00                              | 4,810,522.73  | 4,476,924.01  |
| Total                                | 5,874,638.99      | -                | 254,567.93                        | 5,874,638.99  | 5,460,307.35  |

#### 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                          | 2021                   | 2020                     | 2021                    | 2020                 |
| Financial assets   | Fair value             | Fair value               | Book value              | Book value           |
| Receivables from credit institutions                           | 18,984,937.37          | 20,822,097.77            | 18,984,937.37           | 20,822,097.77        |
| Shares and holdings  | 370.00                 | 370.00                   | 370.00                  | 370.00               |
| Share and holdings in other companies in the same group        | 605,793.60             | 713,880.00               | 713,878.93              | 713,878.93           |
| Financial instruments valued at fair value on balance sheet    | Tier 1                 | Tier 2                   | Tier 3                  | 2021                 |
| Financial assets   |                        |                          |                         | Total                |
| Shares and holdings  |                        |                          | 370.00                  | 370.00               |
| Unrealised profits and losses of the financial period (Tier 3) |                        |                          | -                       |                      |
| 13. Shareholders' equity                                       | Financial period start | + Increase<br>- Decrease | Transfers between items | Financial period end |
| Restricted equity  |                        |                          |                         |                      |
| Share capital  | 933,350.00             | 0.00                     | -                       | 933,350.00           |
| Additional paid-in capital                                     | 1,691,534.45           | 0.00                     | -                       | 1,691,534.45         |
| Non-restricted reserves  |                        |                          |                         |                      |
| Reserve for invested non-restricted equity                     | 2,283,861.38           | 0.00                     | -                       | 2,283,861.38         |
| Profit or loss for previous periods                            | 17,139,275.86          | -548,484.90              | 548,484.90              | 17,687,760.76        |
| Profit or loss for financial period                            | 548,484.90             | -1,842,671.70            | -548,484.90             | -1,842,671.70        |
| Total  | 22,596,506.59          | -2,391,156.60            | 0.00                    | 20,753,834.89        |

## 14. Share capital

2021

2020

Company shares divide into A- and B-series of shares.

According to articles of association A-share has 100 votes and B-share has one vote.

## A-series of shares

|                                |           |           |
|--------------------------------|-----------|-----------|
| Share capital at year-start    | 88,350.00 | 88,350.00 |
| Share capital at year-end      | 88,350.00 | 88,350.00 |
| Nominal value of shares        | No        | No        |
| Number of shares at year-start | 190       | 190       |
| Number of shares at year-end   | 190       | 190       |

## B-series of shares

|                                |            |            |
|--------------------------------|------------|------------|
| Share capital at year-start    | 845,000.00 | 845,000.00 |
| 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     | 18,000     |
| Number of shares at year-end   | 18,000     | 18,000     |

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

LocalTapiola Asset Management Ltd's Extraordinary General Meeting held on 22 October 2021 decided on the merger of LähiTapiola Omaisuuendoito Holding Oy into LocalTapiola Asset Management Ltd and, relating to this merger, on a share issue. The purpose of the share issue was to provide the merger consideration set out in the merger plan to LähiTapiola Omaisuuendoito Holding Oy's shareholders. In this share issue, the company's shareholders were given 190 new A-series shares and 18,000 new B-series shares. The share issue was implemented without increasing the share capital.

LocalTapiola Asset Management Ltd's Extraordinary General Meeting also decided on a private placement for cash at its meeting of 22 October 2021. It offered the company's shareholders 67 new A-series shares and 6,052 new B-series shares at an exercise price of 1,717.41€ per share. The exercise period ended on 31 December 2021 and the share payment date was 1 January 2022 after the merger of LähiTapiola Omaisuuendoito Holding Oy. The private placement was based on the implementation of an exchange of shares to create LocalTapiola Asset Management Ltd Group.

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

|   | 2021             | 2021        | 2021       |
|---|------------------|-------------|------------|
|   | Number of shares | % of shares | % of votes |
| Share distribution                            |                  |             |            |
| A-series of shares                            |                  |             |            |
| LocalTapiola General Mutual Insurance Company | 190.00           | 100 %       | 100 %      |
| Total   | 190.00           | 100 %       | 100 %      |
| B-series of shares                            |                  |             |            |
| 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 %       |
| Total   | 18,000.00        | 100 %       | 100 %      |
| Share distribution, total                     |                  |             |            |
| LocalTapiola General Mutual Insurance Company | 6,189.00         | 34 %        | 68 %       |
| LähiTapiola Keskinäinen Henkivakuutusyhtiö    | 6,000.00         | 33 %        | 16 %       |
| Other LocalTapiola Group companies            | 6,001.00         | 33 %        | 16 %       |
| Total   | 18,190.00        | 100 %       | 100 %      |

## 10.5.2 Notes to the profit and loss account, LocalTapiola Asset Management

| 17. Net commissions and fees  | 2021          | 2020          |
|---|---------------|---------------|
| Net commissions   |               |               |
| Asset management  | 23,854,493.25 | 20,152,624.13 |
| Commission expenses   |               |               |
| Payments flow   | -18,823.78    | -12,582.84    |
| Financial management  | -1,213,893.80 | -270,683.54   |
| Total   | -1,232,717.58 | -283,266.38   |
| 18. Income from equity investments  | 2021          | 2020          |
| Dividend income from shares and holdings  |               |               |
| From companies in the same Group  | 10,091.28     | 11,100.41     |
| 19. Interest income and expenses by balance sheet item  | 2021          | 2020          |
| Interest expenses   |               |               |
| Receivables from credit institutions  | 100,962.28    | 118,925.92    |
| of which belonging to the same group  | -             | -             |
| 20. Other operating income  | 2021          | 2020          |
| Other income  | 521,269.88    | 458,540.10    |
| 21. Other operating expenses  | 2021          | 2020          |
| Rent expenses   | 382,220.43    | 414,865.66    |
| Other expenses  | 4,470,783.72  | 451,765.35    |
| Total   | 4,853,004.15  | 866,631.01    |
| 22. Depreciation and amortisation on tangible and intangible assets   | 2021          | 2020          |
| Intangible assets   |               |               |
| Planned depreciation  | 320,209.42    | 490,940.77    |
| Tangible assets   |               |               |
| Planned depreciation  | 28,591.82     | 28,322.52     |
| Total depreciation  | 348,801.24    | 519,263.29    |
| 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   |               |               |
| 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  | 2021   | 2020          |
| Joint responsibility associated with VAT group registration (Section 188, Finnish VAT Act)   | 2021   | 2020          |
| Within one year  |  |               |
| Group companies  | -816,311.68  | -73,615.35    |
| Other group companies  | -1,149,261.87  | 903,615.99    |
| Total  | -1,965,573.55  | 830,000.64    |
| VAT liability with a positive sign = VAT debt  |  |               |
| VAT liability with a negative sign = VAT receivable  |  |               |
| Auditing responsibility of property investments, according to Section 120 of Finnish VAT Act   | 2021   | 2020          |
| 10-year auditing period  |  |               |
| Other group companies  | 41,315,064.70  | 40,798,941.88 |
| 26. Number of employees  | 2021   | 2020          |
| On average   |  |               |
| Permanent full-time employees  | 58   | 52            |
| Permanent part-time employees  | 3  | 5             |
| Fixed-term employees   | 1  | 2             |
| Total  | 62   | 59            |
| 27. Managements' salaries and remunerations, pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities | 2021   | 2020          |
| Managing director and deputy managing director   |  |               |
| Salaries and remunerations   | 404,611.00   | 384,038.00    |
| 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  |               |
| Members of the board and deputy board members  |  |               |
| Salaries and remunerations   | 53,450.00  | 48,100.00     |
| 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   | 2021   | 2020          |
| 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.                             |  |               |
| 29. Notes to income taxes  | 2021   | 2020          |
| Tax based on taxable income  | 0.00   | 190,963.79    |
| 30. Fees paid to auditor   | 2021   | 2020          |
| Audit  | 13,640.00  | 13,640.00     |
| Other services   | 23,674.08  | 7,068.00      |
| Total  | 37,314.08  | 20,708.00     |

### 31. Total controlled customer assets

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

|                           | 2021              | 2020              |
|---------------------------|-------------------|-------------------|
| Asset management services |                   |                   |
| Total customer assets     | 11,854,962,060.32 | 10,986,717,092.29 |

### 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)

## 10.7 Calculation of key figures

### 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

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

## 11 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.

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 2021 in its meeting on 6 April 2022.

### 11.1 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, certificates of deposits by banks, 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 of apartments are activated as other long-term expenditure. They are depreciated 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 in question 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.

The report of the Board of Directors uses the term 'operating result' to refer to operating profit (loss), and the term 'result for the financial period' to describe the profit (loss) for the financial period.

### 11.2 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.

## 12 Notes on 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 that legislation.

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).

### 12.1 Publication of solvency data

The solvency data required under the prudential regulation governing investment firms and the solvency data laid down in the Financial Supervisory Authority's regulations are included in the company's report of the Board of Directors.

### 12.2 Rationale for risk management

Risk management is active and proactive activity that identifies, assesses, limits, utilises and monitors hazards to business operations as well as new opportunities arising from evolving external and internal conditions or from LocalTapiola's own strategic intent. The aim is to promote the continuity of customers' financial security and to support the achievement of operational and financial targets. In accordance with the principles of responsible business conduct, the Group reliably manages and provides information on risks and risk management to customers and other stakeholders.

Investment firms must establish effective strategies, approaches, processes and systems to identify, measure, manage and control the following risk factors and the impacts of these factors:

- Risks to customers
- Risks to markets
- Risks to the investment firm
- Liquidity risk

In risk management, the main areas and risk categories are:

Financial risks

- Solvency management risk
- Market risks
- Credit risks
- Liquidity risks
- Concentration risks

Operational risks

- Business planning risks
- Process risks
- Systemic risks
- Personnel risks
- Legal risks
- Event and loss risks

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 competition and competitors
- Risks associated with strategic choices
- Group-level special risks

During the year under review, Asset Management's and the Group's risk management principles were supplemented with regard to sustainability risks. Sustainability risk means an environmental, social or governance event or condition that, if realised, might have a negative impact on the value of an investment, value of a liability, or the company's income or reputation. It is characteristic of sustainability risks that they do not constitute a separate risk category of their own but materialise through the existing risk categories, which is why the mapping of sustainability risks is linked to the periodically conducted operational risk mapping.

#### 12.2.1 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 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 related implementation. The business units are responsible for identifying risks which relate to their own business operations and for implementing the related risk management measures. It is for the supervisors 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 this control. All employees have an obligation to report on any risks which they observe or on any areas for improvement in risk management which they identify.

Asset Management's risk management is responsible for maintaining and developing the risk management process as well as for the company's solvency management process and solvency calculation. LocalTapiola Group's risk management function supports and oversees the execution of risk management from the Group's perspective.

The company's legal function ensures that the company acts in compliance with all laws, official regulations and internal guidelines. The supervisors are in charge of internal control with regard to their own subordinates, and this work also covers operational compliance. The Compliance Officer annually submits to the Board of Directors a report on the observations he or she has made.

Internal audit assists the Board of Directors and the management in the practical implementation of risk management controls and risk monitoring. In addition, the auditing function oversees the implementation of risk management.

### 12.2.2 Risk identification, measurement and management

The identification of operational risks and those associated with the operating environment, together with their probability and impacts, are evaluated at the business units in the context of annual planning and whenever there is a significant change in the risk situation. A separate risk management plan is prepared for every risk that requires active management. The key risks identified in the risk mapping part of the Management Group's annual planning are included in the Group's risk management plan, and they are monitored on a regular basis by the Board of Directors.

## Signatures for the report of the Board of Directors and financial statements

In Espoo, on 2 March 2022

Jari Eklund  
Chair of the Board of Directors

Mirel Leino-Haltia

Juha Malm

Tapio Oksanen

Hanna-Leena Pesonen

Lauri Riekkola

Teemu Tähtinen

Samu Anttila  
Managing Director



## Auditor's note

A report has been issued today on the audit performed.

In Espoo, 21 March 2022

KPMG Oy Ab

Timo Nummi

Authorised Public Accountant



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*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, 2021. 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, 21 March 2022

KPMG OY AB

TIMO NUMMI

*Authorised Public Accountant, KHT*