



Fennia Asset Management

Annual Report and Financial Statements 2017

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■ Focus on growth

For Fennia Asset Management, 2017 was the sixth full year of operations. The company experienced some significant changes during the year. Fennia's investment department and part of Fennia's financial administration were made part of Fennia Asset Management in the context of the Fennia Group's organisational change in April. This more than doubled the size of the company's organisation. At the same time, both Fennia and Fennia Life became Fennia Asset Management's customers, and thus the amount of assets managed by the company grew several-fold. The company's management and administration also changed. On 18 April 2017, the Financial Supervisory Authority granted Fennia Asset Management authorisation to act as a manager of alternative investment funds. Fennia Asset Management also moved with the rest of the Fennia Group to new premises in the Pasilanportti business centre in April.



I, as the new Managing Director, together with the new Board of Directors and Executive Group as well as the very motivated personnel, started to develop Fennia Asset Management based on our earlier plans. It is easy to take the company forward as it has been managed so well. We have my predecessor and his organisation to thank for this.

Fennia Asset Management pursues growth. Our growth is driven by real estate business. Therefore, we launched a new product, Fennica Building Plot Fund, non-UCITS, in September to complement our range of real estate investment funds, which already included Fennica Properties I.

For investors, 2017 was better than average. We are pleased to note that the returns achieved by our clients were good and stood up well to comparison in the case of portfolios under discretionary management, model portfolios and Fennica Properties I alike. In addition, Fennica Building Plot Fund took off well at the end of the year.

I am grateful as I feel that we have received and also earned our clients' trust as an asset manager. Long-term saving and investing secure our welfare as individual citizens but also support general economic growth. Thus, Fennia Asset Management has been extremely successful in its implementation of the Group's mission – For business and life.

Warm thanks go to our personnel and the Fennia Group's support for the successful launch of the chosen operating model in our operations.

A new era awaits us!

Eero Eriksson

■ Report of the board of directors

For Fennia Asset Management Ltd, 2017 was the sixth complete year of operations. The company is a wholly owned subsidiary of Fennia Life. The company's business grew significantly, and the number of personnel doubled as the employees of Fennia's investment department and part of Fennia's financial administration were transferred to the employ of the company in the context of the organisational change made on 1 April 2017.

On 18 April 2017, the Financial Supervisory Authority granted Fennia Asset Management a new authorisation to act as a manager of alternative investment funds. At the same time, the company's old authorisation to operate as an investment services company ended. The new authorisation meant that the administration and management of the special investment fund Fennica Properties I could be transferred from Elite Asset Management Ltd to Fennia Asset Management. The Financial Supervisory Authority granted authorisation for the transfer of administration and management on 19 April 2017 and the transfer was implemented on 23 May 2017.

In the context of the organisational change on 1 April 2017, the company's management and Managing Director changed. Eero Eriksson, Fennia Mutual Insurance Company's Deputy Managing Director became the new Managing Director, as Alexander Schoschkoff, the previous Managing Director, became the Managing Director of Fennia Life Insurance Company.

On 1 April 2017, the company moved to new premises located in Länsi-Pasila, Helsinki, at Kyllikinportti 2.

Business during the financial period

For Fennia Asset Management, 2017 was again a time of developing and diversifying the business. During the financial period, the company's fee and commission income grew by 79 per cent to EUR 5.2 million (EUR 2.9 million). The amount of Group external client assets managed by the company grew by 26 per cent, standing at EUR 242 million (EUR 192 million) at year-end. The amount of Group internal client assets stood at EUR 2.6 billion. The number of clients increased. The new capital was mainly allocated to discretionary asset management and to the new special investment fund established on 12 September 2017, Fennica Building Plot Fund, non-UCITS. The low interest rate level and expensively priced equity market steered investors' focus towards real estate investments.

From an investor perspective, 2017 was better than an average investment year. As the steering by central banks kept the interest rate at an exceptionally low level, investors invested in equities, real estate and unlisted instruments. As a result, equities continued their steady rise globally, supported by capital flows. The US central bank (FED) raised its key interest rate on three occasions, and this is believed to mean the start of the normalisation of interest rates in relation to inflation and other economic development in western industrialised countries. In addition to equities, investors' capital flows focused on the real estate markets.

The returns on Fennia Asset Management's model portfolios were good in light of the market development. The Fennia Asset Management "Equity" investment strategy was most successful, but slightly surprisingly, the "Fixed income" investment strategy also performed well, despite the historically low interest rate level.

The return on the special investment fund Fennica Properties I improved as the investment rate increased. The Fennica Building Plot Fund took off as expected, and interest in the product has been good, as anticipated. For both the special investment funds, operations have progressed as planned and in accordance with the chosen strategy.

Company's result and solvency

The company's profit increased on the comparison year. The profit for the financial period was EUR 1.0 million (EUR 0.8 million).

The company's capital and reserves grew and at the end of the financial period amounted to EUR 3.1 million (EUR 2.1 million).

The company's solvency at the end of the financial period was good, the solvency ratio was 24.2 per cent and the company's own funds amounted to EUR 3.1 million (calculated minimum requirement for own funds is EUR 1.0 million).

Administration

During the financial period, Seppo Rinta served as the Chairman of the Board of Directors between 1 January 2017 and 31 March 2017, and the other members of the Board were Eero Eriksson, Kimmo Kilpinen and Juha Sarsama. Alexander Schoschkoff acted as Managing Director between 1 January 2017 and 31 March 2017.

Between 1 April 2017 and 25 June 2017, Antti Kuljukka served as the Chairman of the Board of Directors, and the other members of the Board were Seppo Rinta, Alexander Schoschkoff and Juha-Pekka Kallunki. As of 26 June 2017, the number of Board members was increased to five. Between 26 June 2017 and 31 December 2017, Antti Kuljukka served as the Chairman of the Board, and the members of the Board elected by the General Meeting were Seppo Rinta and Alexander Schoschkoff and the members of the Board elected by the fund unit holders of the special investment fund Fennica Properties I were Juha-Pekka Kallunki and Elli Dahl. Eero Eriksson acted as Managing Director between 1 April 2017 and 31 December 2017.

The Board of Directors held a total of 12 meetings during the year under review, five of which were email meetings. The attendance rate of the members was 94 per cent.

Petri Kettunen, Authorised Public Accountant, serves as the auditor of the company and as the auditor selected by the company for the special investment funds managed by it, and the deputy auditor is the auditing firm KPMG Oy Ab. Satu Malmi, Authorised Public Accountant, serves as the auditor selected by the fund unit holders for the special investment fund Fennica Properties I, and the deputy auditor is the auditing firm KPMG Oy Ab.

The company employed an average of 24 people in 2017.

Policy on disclosures and frequency of disclosure adopted in the context of the preparation of the report of the Board of Directors

In the context of the preparation of the report of the Board of Directors for the financial period as per 31 December 2017, the following policy was adopted on disclosures and the frequency of disclosure.

As a general rule, Fennia Asset Management will disclose all information subject to the disclosure requirements laid down in the Capital Requirements Regulation (EU No 575/2013). Fennia Asset Management has decided not to disclose some items of non-material information by virtue of applying the derogation specified in the Regulation. The omission of this non-material information does not influence the users of the information relying on that information for the purpose of making economic decisions. According to Fennia Asset Management's assessment, the disclosures convey the company's risk profile comprehensively to market participants, despite the application of the derogation concerning disclosures.

Fennia Asset Management will publish the disclosures listed in Title II of the Capital Requirements Regulation at least on an annual basis as required by the Regulation. The disclosures will be published in the report of the Board of Directors issued in conjunction with the financial statements prepared for the financial period.

Compliance officer's assessment:

On 25 January 2018, the compliance officer reviewed the draft report of the Board of Directors prepared by the Managing Director for the financial year as per 31 December 2017 and the policy on disclosures and frequency of disclosure issued in the context of the preparation of the report of the Board of Directors. According to the compliance officer's assessment, both the report of the Board of Directors and the above-mentioned policy comply with the applicable regulations and the company's internal policies. The compliance officer therefore proposes no changes to the report of the Board of Directors or to the policy on disclosures and frequency of disclosures.

Risk management

General

Fennia Asset Management belongs to the Fennia Group as a subsidiary owned by Fennia Life Insurance Company. Fennia Life is owned by Fennia Mutual Insurance Company. Fennia Asset Management's internal control and risk management framework is described partly in the common policy documents of the Fennia Group and partly in the separate policy documents of the company, approved by the Board of Directors.

At Fennia Asset Management, risk management means strategies, processes, principles and measures to identify, measure, monitor, manage and report risks faced by the company. The aim of risk management is to continuously secure the company's solvency and liquidity. This is pursued by supporting the achievement of the objectives set out in the strategy and action plans and ensuring that the risks taken by the company are in proportion to its risk-bearing capacity.

Fennia Asset Management's risks are managed by careful planning and implementation of the business strategy as well as by a risk management process taking into account the characteristics of each risk, which consists of both regular and continuous measures. The company assesses the risks of its operations at least once a year and prepares a report on risk and solvency assessment (hereinafter the ICAAP report).

The company's governance system supports the achievement of the objectives of risk management.

Risk management organisation

Fennia Asset Management's Board of Directors is responsible for the appropriateness of the company's internal control and risk management. It is responsible for ensuring that the company abides by the principles of its own risk management system and where applicable, those of the Fennia Group.

Fennia Asset Management's Managing Director bears overall responsibility for the appropriate preparation and implementation of risk management in accordance with the Board of Directors' decisions.

Fennia Asset Management has an extended executive group that convenes to prepare, steer and co-ordinate tasks relating to risk management and administration and to communicate information. It is chaired by the company's Managing Director and includes the persons responsible for the company's business, administration, legal affairs, risk management and compliance.

The company's risk management system is based on a three-defence-line model, whereby:

1. The first defence line, i.e. business and support functions, has the primary responsibility for daily risk management and risk reporting in accordance with the agreed policy.
2. The second defence line is the owner of the risk management framework and is responsible for its planning and development. The second defence line is responsible for reporting risks to the management and for supporting, monitoring and assessing risk management carried out by the first defence line.
3. The third defence line is in charge of ensuring the effectiveness and efficiency of internal control and risk management.

Fennia Asset Management's Board of Directors has concluded that the completion of the tasks of the company's second and third defence line can be arranged efficiently and effectively without a separate risk management function, compliance function or internal audit of the company. These functions have been outsourced to the Group's parent company. Compliance services are outsourced partly to the parent company and partly to a service provider external to the Fennia Group.

At the Fennia Group, the risk management organisation consists of the Risk Management unit and the Compliance and Operational Risks unit, which are both under the supervision of the Group CFO as part of the Group's finances and controlling. The internal audit operates as an independent unit and reports directly to Fennia's Board of Directors. The Risk Management unit, the Compliance and Operational Risks unit and the internal audit have been integrated into the Fennia Group's organisation in a manner that ensures that they are free from influences that might compromise the objective, equal and independent performance of their tasks. The internal audit is independent of both the first and second defence line operations.

Allocation of responsibility for risk management

In the three-defence-line model, responsibility for risk management is allocated as follows between the various operators:

- **Managing Director**

The Managing Director bears overall responsibility for the appropriate preparation and implementation of risk and solvency management in accordance with the Board of Directors' decisions.

- **Business and support functions**

The business and support functions are responsible for risk identification, daily risk management measures and risk reporting in accordance with the agreed policy as well as for monitoring of their risk profile and any measures required by changes in it.

- **Risk management**

The Risk Management unit together with the Compliance and Operational Risks unit form the Risk Management function,

are responsible for the risk management framework and maintain an overall picture of the company's risk profile. They assist the Board of Directors, Managing Director and business and support functions in developing and maintaining a strong risk management system. They report on risks to the company's management and support the business and support functions' risk management by developing uniform procedures and providing guidance and training. Together they monitor the business and support functions' risk management work and assess its adequacy. In the solvency management process, the task of the Risk Management unit is to monitor the appropriateness of capital requirements calculation and participate in the preparation of the ICAAP report. The authority and responsibilities of the Risk Management function are defined in principles approved by the Board of Directors.

- Compliance

The compliance function, which belongs to the second defence line, is responsible for ensuring that company's operations comply with regulations, financial sector self-regulation and the Fennia Group's internal guidelines, and that customer relationships are managed according to the appropriate procedures. The unit also identifies and assesses the impacts of regulatory changes and the risks related to regulatory non-compliance, as well as the sufficiency of measures taken to prevent and rectify possible shortcomings in regulatory compliance. In addition, the compliance function promotes compliance by providing proactive advice and develops internal procedures with which compliance can be monitored effectively and appropriately.

- Internal audit

The internal audit supports the Fennia Group in achieving its goals by offering a systematic approach to the assessment and development of the efficiency of the organisation's risk management, control and leadership and administrative processes. The task of the internal audit is to monitor and assess the sufficiency and efficiency of the Group's internal control and other administration.

Risk management process and risk areas

Risk refers to an uncertain event and its consequence, which can be a threat or an opportunity for the company.

Fennia Asset Management's risk management process comprises the following areas:

- Risk identification

The first defence line, the risk owner, identifies and assesses the risks that threaten the operations and objectives, in annual risk assessments and daily operational activities.

- Risk measurement

During the risk measurement process, the severity of the risks and their interdependencies are evaluated. The objective is to create uniform indicators for different risks and thus to improve their comparability. Risk measurement and comparison allow the targeting of risk management measures on the risks that are most material for the operations. The Risk Management function of the second defence line co-ordinates the measurement of risk severity and dependency and develops methods used in measurement.

- Risk monitoring

The risk monitoring carried out in the company consists of monitoring, assessment and testing out of management measures that have been planned and decided upon. The first defence line ensures that risks are monitored appropriately and that sufficient information on risks is obtained for their management. The first defence line monitors the management measures that it has planned and decided upon and assesses their effectiveness. The second defence line carries out independent risk monitoring.

- Risk management

During the management process, the risks are prioritised and management measures are planned to control or limit the risks. The first defence line plans and implements the appropriate risk management measures. The second defence line supports, monitors and assesses risk management carried out by the first defence line, but, in order to ensure independence, does not participate in making operational decisions.

- Risk reporting

The first defence line reports the materialisation of risks and their effects within the defence line and to the second defence line in accordance with the agreed process. The second defence line reports the risks to the Board of Directors regularly.

Most significant future risks and uncertainties

The above-mentioned risk management process is applied to all of the risks relating to the company's operations. The most significant risks for the company's operations are operational risk, concentration risk, strategic risk and reputation risk.

Operational risks primarily relate to the management of client assets in accordance with the client agreements as well as to the company's processes, personnel and systems. They are managed by continuously developing processes and systems and by ensuring personnel competence.

Concentration risk may arise if dependence on an individual product is strong or if the assets managed under a service offered to clients consist of the asset management agreements of relatively few clients. The management of concentration risk is primarily based on business planning and sales strategies.

The company's most essential strategic risks relate to the failed implementation of the business strategy which can lead to a poor cost/income ratio in terms of the company's solvency and a capital shortfall. However, the company's business operations can be adjusted to changing conditions quite flexibly. The business strategy is reviewed regularly, taking into account any changes in the operating environment, and redirected if necessary.

Changes in regulation increase the impact of reputation risk on the company's operations. Fennia Asset Management is also subject to other risks, such as liquidity risk, counterparty risk, market risks and group risks for which separate means of risk management are in place.

Solvency and asset encumbrance

The key items of the company's capital requirements calculation for 2017, 2016 and 2015 are presented in the table below.

Key items of capital requirements calculation	31.12.2017	31.12.2016	31.12.2015
Common Equity Tier 1 capital before deductions:	3 114 390	2 146 686	1 357 227
Deductions from Common Equity Tier 1 capital: Intangible assets	-2 049	-4 049	-38 021
Common Equity Tier 1 capital (CET1)	3 112 341	2 142 637	1 319 206
Additional Tier 1 capital (AT1)	0	0	0
Tier 1 capital (T1 = CET1 + AT1)	3 112 341	2 142 637	1 319 206
Tier 2 capital (T2)	0	0	0
Total own funds (TC = T1 + T2)	3 112 341	2 142 637	1 319 206
Total risk-weighted assets (Overall risk exposure)	12 866 527	6 002 155	5 583 886
of which credit risk exposure:	0	0	0
of which other risk exposure:	0	0	0
of which the own funds requirement for operational risks:	0	0	0
Own funds based on fixed overheads multiplied by 12.5	12 866 527	6 002 155	5 583 886
Capital adequacy ratios			
Common Equity Tier 1 capital (CET1)/overall risk exposure	24,20 %	35,70 %	23,60 %
Tier 1 capital (T1)/overall risk exposure	24,20 %	35,70 %	23,60 %
Total own funds (TC)/overall risk exposure	24,20 %	35,70 %	23,60 %
Capital adequacy ratio	24,20 %	35,70 %	23,60 %
Minimum requirement for own funds			
Minimum requirement for own funds	1 029 322	480 172	446 711
Minimum capital			
Act on Investment Services (<i>Sijoituspalvelulaki</i> 747/2012), Chapter 6, section 1, subsection 2	125 000	125 000	125 000

Information on the company's asset encumbrance is presented in the table below.

	Book value of encumbered assets	Current value of encumbered assets	Book value of unencumbered assets	Current value of unencumbered assets
Reporting institution's assets			3 629 382	3,629,382
Equity instruments				
Debt instruments				
Other assets			3 629 382	3 629 382

Declaration on the adequacy of risk management arrangements

According to the Board of Directors' assessment, the risk management systems put in place at Fennia Asset Management are adequate with regard to the company's profile and strategy.

Corporate governance

Fennia Asset Management's Board of Directors has adopted a document on the organisation of the company's internal governance, which describes the duties of the Board of Directors as well as the lines of authority, responsibility and reporting for the Managing Director, directors responsible for key business functions and other personnel as well as deputy arrangements. Fennia Asset Management's governance system consists of the company's Board of Directors, acting management, management group and the outsourced functions, i.e. financial administration, IT management, risk management, compliance and internal audit, as well as external audit. For the governance to function appropriately and efficiently, the nature, scale and complexity of the company's operations have been taken into account in its organisation. The members of the Board of Directors shall possess various strengths, professional competence and experience. Fennia Asset Management's Board of Directors has set a long-term goal to promote diversity and gender equality in the composition of the Board. By preparing and planning the search for Board candidates in the long term, the Board seeks to ensure that a Board with the expertise and experience required by the company at any given time as well as equal gender representation on the Board will be achieved and maintained.

Fennia Asset Management complies with its own guidance on the organisation of governance in all of its operations. The guidance is based on the regulations, guidelines and standards included in the FIN-FSA regulations and guidelines of the Financial Supervisory Authority. The regulations and guidelines are publicly available on the Authority's website:

<http://www.finanssivalvonta.fi/en/Regulation/Regulations/New/Pages/sections.aspx>.

Remuneration

Remuneration at Fennia Asset Management complies with the company's guideline on its remuneration scheme which is in line with regulations (Act on Credit Institutions 610/2014 and FIN-FSA regulations and guidelines 18/2013 on remuneration policies and practices) and which classifies personnel into risk categories on the basis of their duties and position. The remuneration comprises a fixed pay component and a variable pay component. The fixed salary corresponds with the competence level required, experience and position in accordance with the Hay job evaluation method. Depending on the job, the variable pay component consists of a yearly bonus or sales commissions which can amount to a maximum of EUR 50,000 a year per person. In 2017, EUR 2,070,611 (EUR 875,374) was paid in salaries and a total of EUR 259,237 (EUR 261,780) was paid in variable pay components to 51 (24) people. The variable pay components paid complied with the set maximum and proportionality limits, and there were no deferred variable pay components.

Key figures on financial performance

		2017
Return on equity (ROE)	%	36,7
Return on total assets (ROA)	%	25,9
Equity ratio	%	64,2
Cost/income ratio		0,8

Outlook for the current year

Fennia Asset Management's business operations will continue to be profitable right from the beginning of the year. The result for the current year will be affected by the increase in customer capital and the success of new business as well as the development of the investment markets. For new business, Fennia Asset Management is dependent on the success of Fennia Life's (primary sales organisation) sales activities, the targeting of these activities on the sales of asset management products and services and the provision of information on potential clients by the Fennia Group's insurance customer interface. In addition, the company's own sales organisation will be strengthened. The existing volume of offers and the outlook for new business in the current year are good. Investors' interest is expected to be focused on the competitive special investment funds Fennica Building Plot Fund and Fennica Properties I. The situation of the capital market, the anticipated market fluctuations and the low, but rising interest rate level may affect the demand for asset management mandates. In addition to market development, MiFID II (Markets in Financial Instruments Directive II), which entered into force on 3 January 2018, will probably have an impact on investors' interest in asset management model portfolios.

The clearly higher volume of client assets under management, the good return history of funds and model portfolios as well as the more experienced and trained sales organisation will contribute toward increasing customer capital during 2018.

Board of Directors' Proposal on the Disposal of Profit

The Board of Directors proposes to the General Meeting that the profit for the financial year, EUR 967,704.08, be transferred to the profit/loss brought forward and that no dividend be paid.

Major events after the end of the financial period

There have been no major events after the end of the financial period.

Share capital and shares

At year-end, the company's share capital was EUR 125,000, and the company had 10,000 shares, all of which are of the same series.

Balance Sheet

EUR 1,000	2017	2016
ASSETS		
Cash receivables	3 629	2 143
Intangible assets		
Other long-term expenses	2	4
Tangible assets		
Other tangible assets	35	1
Other assets		
Debtors	1 192	453
Prepayments and accrued income	9	4
	4 867	2 606
LIABILITIES		
Liabilities		
Other creditors	298	77
Accruals and deferred income	1 447	382
APPROPRIATIONS		
Accumulated depreciation difference	8	
TOTAL EQUITY		
Share capital	125	125
Reserve for invested non-restricted equity	3 675	3 675
Loss brought forward	-1 653	-2 443
Profit for the financial year	968	789
	4 867	2 606

■ Profit and Loss Account

EUR 1,000	2017	2016
Income from investment services operations		
Fee and commission income	5 207	2 910
Interest income		
	5 207	2 910
Fee and commission expenses	-113	-200
Interest expenses	-1	
Net interest income	5 093	2 710
Administrative expenses		
Staff expenses		
Salaries and commissions	-2 426	-1 098
Social expenses		
Pension expenses	-449	-205
Other social expenses	-86	-53
	-536	-258
Other administrative expenses	-623	-323
	-3 585	-1 678
Depreciations and write-downs on tangible and intangible assets	-9	-45
Other operating expenses	-523	-197
Operating profit/loss	976	789
Appropriations	-8	
Profit/loss on ordinary activities after tax	968	789
Profit for the financial year	968	789

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 Fennia Asset Management Ltd.

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Fennia Asset Management Ltd. (business identity code 2392951-7 for the year ended 31 December, 2017. The financial statements comprise the balance sheet, income 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 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 going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

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

Other Reporting Requirements

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 26 February, 2018
KPMG Oy Ab

Petri Kettunen
Authorised Public Accountant, KHT

Satu Malmi
Authorised Public Accountant, KHT

■ Board of Directors

Chairman

Antti Kuljukka

Group CEO
Fennia Mutual Insurance Company
Helsinki

Vice Chairman

Seppo Rinta

Deputy Managing Director
Fennia Mutual Insurance Company
Espoo

Board Members

Elli Dahl

Managing Director
Yrjö Jahnsson Foundation
Helsinki

Juha-Pekka Kallunki

Professor
University of Oulun
Oulu

Alexander Schoschkoff

Managing Director
Fennia Life Insurance Company Ltd
Helsinki

Secretary to the Board

Sanna Elg

General Counsel
Fennia Mutual Insurance Company
Espoo

Fennia Asset Management's Board of Directors and Management 1 January 2018

■ Auditors

The Auditor for the company and the special investment funds managed by the company was Authorised Public Accountant **Petri Kettunen** with APA firm KPMG Oy Ab as Deputy Auditor.

Authorised Public Accountant **Satu Malmi** with APA firm KMPG Oy Ab as Deputy Auditor was the Auditor chosen by fund unit holders for the company and the special investment funds managed by the company.

Fennia Asset Management's Board of Directors and Management 1 January 2018

■ Management

Eero Eriksson

Managing director

Heidi Ketolainen

Director, Administration and Legal

Simo Launonen

Director, Sales and Account Management

Aarni Pursiainen

Director, Investments

Timo Rantala

Director, Real Estate Business Unit

Elina Puhakainen (personnel representative)

Real Estate Investment Manager, Finance

Fennia Asset Management's Board of Directors and Management 1 January 2018