

POP Mortgage Bank Plc

**CORPORATE  
GOVERNANCE  
STATEMENT 2023**

# POP MORTGAGE BANK PLC'S CORPORATE GOVERNANCE STATEMENT 2023



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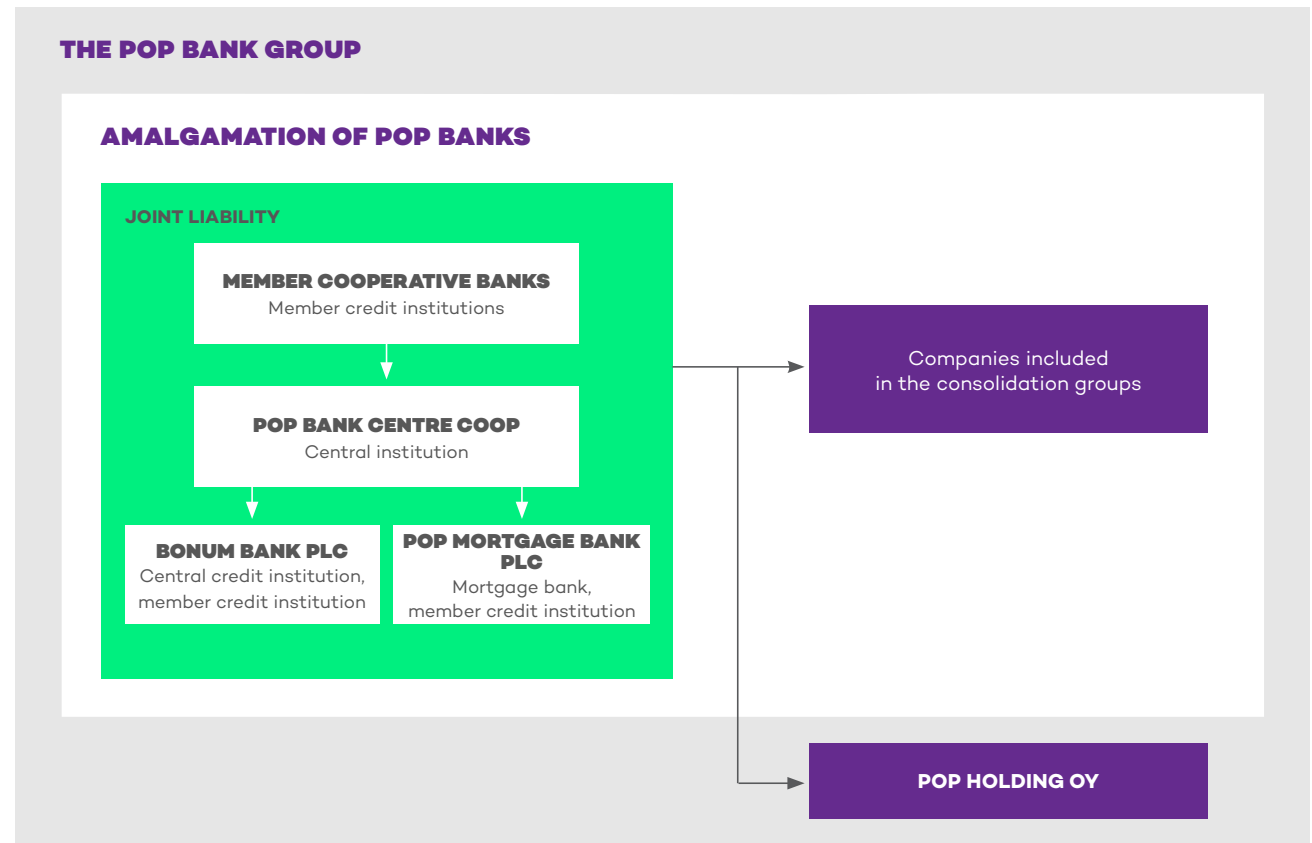
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# POP BANK GROUP

The Company is part of the POP Bank Group, which is an amalgamation of member credit institutions and their central institution, as well as entities in which the members of the amalgamation exercise control together as referred to in the Accounting Act.

In the amalgamation, the member credit institutions and the central institution have joint mutual responsibility in accordance with the Amalgamation Act. The legal structure of the POP Bank Group is described in the figure herein:

## POP BANK GROUP STRUCTURE



# GOVERNANCE

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The Company's governance complies with the laws of Finland, the recommendations of the authorities and industry standards.

The amalgamation's governance is based on policies and guidelines issued by the central institution, which are binding on the member credit institutions and are confirmed by the Boards of Directors of the Company and the other member credit institutions.

As the main normative basis for internal governance, the Company's Articles of Association determine the main principles of the competences and governance of the key bodies.

## Corporate steering

In addition to the guidance provided by the amalgamation, the Company takes into account the guidelines issued by the parent company in its decision-making and operations. As a wholly owned subsidiary of the central institution, the Company plans and implements its internal governance within the limits determined by the parent company.

The Company needs the approval of the Board of Directors of the POP Bank Centre for the following decisions, for example:

- Material changes in the nature or scope of its operations
- Decisions with a significant impact on the need for capital
- Partnerships that deviate from the guidelines issued by the parent company.

In the process of appointing and dismissing the CEO and Deputy CEO, the Company's Board of Directors must consult the Board of the POP Bank Centre.

# POP MORTGAGE BANK'S GOVERNING BODIES

## GENERAL MEETING

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The Company's highest decision-making power is vested in a general meeting where POP Bank Centre coop exercises influence as the only shareholder.

The Limited Liability Companies Act and the Company's Articles of Association determine which matters must be discussed at a General Meeting.

The Board of Directors convenes a General Meeting. The notice of a General Meeting is submitted to the shareholders in a verifiable manner in writing no earlier than four weeks and no later than one week before the meeting.

The Annual General Meeting (AGM) must be held within six months of the end of the financial period. In 2023, the Company's Annual General Meeting was held on 29 March 2023.

### **The following must be presented at an Annual General Meeting (AGM):**

1. The financial statements and the Board of Directors' report
2. The auditor's report

### **The following decisions must be made at an AGM:**

3. The adoption of the financial statements
4. Any measures that are necessary based on the profit or loss in accordance with the confirmed balance sheet or consolidated balance sheet
5. Discharge from liability of the Board members and the CEO
6. The number and fees of the members of the Board of Directors
7. The auditor's fees
8. The election of the Board members
9. The election of the auditor

### **The following must be addressed at an AGM:**

10. Other matters mentioned in the notice of the meeting.

# POP MORTGAGE BANK'S GOVERNING BODIES

## BOARD OF DIRECTORS

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After the General Meeting, the highest decision-making power is exercised by the Company's Board of Directors.

The Board of Directors is responsible for managing the Company to achieve its strategic goals in compliance with laws, regulations and official provisions. To enable the performance of its duties, the Board confirms the amalgamation's internal guidelines and principles and oversees their implementation.

### **Key duties of the Board:**

#### **The Board determines and confirms:**

- Strategic and business goals
- Risk management principles, goals and plans
- The binding guidelines and principles of the amalgamation

#### **The Board is responsible for:**

- The effectiveness of the management system
- Organising risk management and ensuring that adequate resources are available for the implementation of risk management

### **The Board**

- **Monitors** compliance with strategies, goals, laws and regulations

**Prepares** proposals for the General Meeting and convenes the General Meeting

**Selects and dismisses** the CEO, the Deputy CEO and the members of the Executive Board.

# POP MORTGAGE BANK'S GOVERNING BODIES

## COMPOSITION OF THE BOARD OF DIRECTORS AND ELECTION OF ITS MEMBERS

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The Company's Board of Directors consists of three to eight members. The Board has no deputy members. The Board elects its Chair and a Vice Chair from among its members.

The Annual General Meeting elects the members of the Board for a term of office that ends at the close of the Annual General Meeting following their election. In accordance with the Articles of Association, there is no maximum age limit for the members of the Board, nor has the decision-making power of the AGM been limited in any other way in the election of the Board members.

The Board's proposals on the members of the Board of Directors and their fees are prepared by POP Bank Centre coop, which is the parent entity.

### Board members in 2023:

<b>Juha Niemelä</b> (Chair)	Director
<b>Matti Vainionpää</b> (Vice Chair)	Bachelor of Laws
<b>Marja Pajulahti</b>	CEO

# POP MORTGAGE BANK'S GOVERNING BODIES

## MEETINGS OF THE BOARD OF DIRECTORS

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The Board is convened by the Chair, or the Vice Chair if the Chair is prevented from convening a meeting. A meeting must be convened if required by a Board member or the CEO.

The Board has a quorum when more than half of its members, including the Chair or Vice Chair, are present. A quorum is calculated based on the elected members of the Board. A majority opinion will become the decision of the Board. If the votes are evenly split, the Chair has the decisive vote.

Minutes are always taken at Board meetings and signed by all members of the Board.

As a rule, the Board convenes once a month and whenever necessary.

### Number of Board meetings and attendance in 2023:

<b>Juha Niemelä</b> (Chair)	11/11
<b>Matti Vainionpää</b>	11/11
<b>Marja Pajulahti</b>	11/11



# POP MORTGAGE BANK'S GOVERNING BODIES GOVERNANCE PRINCIPLES

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## Assessment of suitability and professional skills

The Company regularly assesses the reliability, suitability and professionalism of its administration and management. The purpose of the assessment is to ensure that the members of the Board of Directors and the members of the executive management have expertise and experience in the business operations and management of a credit institution, as well as the related risks, to the extent that is necessary for their tasks and the quality, scope and diversity of the credit institution's operations.

Assessments are made whenever a new person is selected to serve in one of the capacities mentioned above. Assessments are also made when a person is selected to continue in their previous capacity. An assessment is also carried out if two years have passed since the previous assessment. In addition, assessments are made if a person's reliability, suitability or professional skills are called into question. The Board of Directors has confirmed guidelines on assessing reliability, suitability and professional skills.

## Independence

Since the establishment of the company, the Board has had two members who are independent of major shareholders.

## Diversity

The members of the Board are selected in accordance with the principle of diversity. The diversity of the Board aims for an optimal ability to develop and manage the Bank's efficiency, competitiveness and risk management. The aspects considered when assessing diversity include age, gender, professional background and educational background, for example.

# POP MORTGAGE BANK'S GOVERNING BODIES

## CEO AND DEPUTY CEO

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The Board of Directors appoints the CEO of the Company and their deputy.

The CEO is responsible for the bank's operational management and day-to-day governance in line with the guidelines and orders issued by the Board. The CEO is responsible for the organisation, management and monitoring of the bank's recurrent operations, and for ensuring the implementation of the decisions of its highest governing bodies, planning the bank's operations and managing its human resources. The CEO is also responsible for ensuring that the bank's daily tasks are carried out cost-effectively and in a manner that secures the bank's development and competitiveness, as well as the continuity of its operations.

The CEO cannot serve as a member of the Board of Directors of the Company. However, the CEO has the right to attend Board meetings and exercise their right to speak at Board meetings unless otherwise decided by the Board in specific cases.

Timo Hulkko served as the CEO of POP Mortgage Bank in 2023. Tony Tötterström served as Deputy CEO.

# POP MORTGAGE BANK'S GOVERNING BODIES

## EXECUTIVE BOARD

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The Board of Directors appoints the Bank's Executive Board, which is responsible for the operational management of the Bank.

In 2023, Timo Hulkko, CEO, served as Chair of the Executive Board.

### Members of the Executive Board in 2023:

**Timo Hulkko**

CEO

**Tony Tötterström**

Deputy CEO

**Aapo Ahtiainen**

Finance and Risk Manager (until 26 May 2023)

**Jukka Ruotinen**

Specialist (starting from 29 September 2023)

# REMUNERATION

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The company follows remuneration principles confirmed by the central institution as part of the amalgamation's management system.

The Company does not have a separate remuneration committee. The Board of Directors is responsible for matters related to remuneration, monitors compliance with the remuneration system and assesses its effectiveness annually.

The Board of Directors determines the remuneration principles annually.

## **The Bank maintains a list of the following persons and their remuneration:**

1. The CEO and the members of the Executive Board
2. Any other person who has a material impact on the risk position of the central institution or the amalgamation
3. Persons working in risk control, risk management, the compliance function or internal audit
4. Any other person whose total bonus amount does not differ significantly from the total bonus amount determined for the persons mentioned in items 1 and 2

# INDEPENDENT FUNCTIONS IN THE AMALGAMATION



The management of business operations is based on effective and reliable internal control. This ensures that the organisation systematically implements the targets and policies confirmed by the Board of Directors.

The central institution of the amalgamation monitors the adequacy and functionality of risk management systems in the member credit institutions in accordance with the Amalgamation Act.

To achieve this, the following functions that are independent of business operations are carried out at the central institution of the amalgamation:

- Risk control
- Compliance
- Internal audit

In addition to these, the amalgamation has an internal whistle-blowing channel, through which anyone can report possible misconduct.

# RISK MANAGEMENT

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The Board of Directors is responsible for ensuring that risk management is appropriately implemented and adequately resourced. Risk management in the amalgamation is guided by binding principles and guidelines issued by the central institution and approved by the Board of Directors for the implementation of operations.

The Company comprehensively identifies and assesses the risks related to its operations and adjusts its risk-bearing capacity to the total amount of risks. Decision-making complies with sound and prudent business practices. Violations of the risk management principles are addressed in accordance with agreed procedures.

The Company's independent risk control function reports directly to the Company's Board of Directors and the independent risk control function of the amalgamation's central institution.

## Goals

The aim of risk management is to

- Identify, measure, assess, report and monitor the risks inherent in the Bank's business activities
- Contribute to the development of risk management methods and the determination of risk appetite
- Ensure that the bank is not exposed to high risks in its operations that pose a material threat to the capital adequacy or liquidity of the bank, the central institution or the entire amalgamation.
- Ensure a sufficient level and quality of capital and its efficient use for the Company

# COMPLIANCE

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The Board is responsible for ensuring compliance with regulations. The amalgamations' compliance function supports the Board and the senior management in managing the risk related to non-compliance with laws and orders issued by the authorities. Compliance is proactive advice, in addition to monitoring compliance with regulations, agreements and policies.

The compliance function reports regularly on its operations and observations to the Company's Board of Directors and executive management.

## Goals

The Compliance function aims to

- Ensure that the Bank's operations comply with the law, official instructions and regulations, market self-regulation, the guidelines and general operating principles of the amalgamation of POP Banks, and the Bank's own guidelines.
- Contribute to reducing the financial losses related to the Bank's operations that may result from non-compliance with regulations, sanctions imposed by the supervisory authority, negative impacts on the corporate image or loss of reputation.
- Maintain the trust of customers and markets by ensuring compliance with current laws and official guidelines and regulations.

# INTERNAL AUDIT

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The internal audit unit of the central institution is responsible for the implementation of the internal audit function for the Company and the amalgamation as a whole.

Audit observations concerning the Company are reported to the Company's Board of Directors and CEO. The internal audit function also reports regularly on its operations and observations to the Supervisory Board, Board of Directors and CEO of the central institution.

The Company's Board of Directors has confirmed operating principles for internal audit.

## Goals

The internal audit function

- Reviews the adequacy, effectiveness, accuracy and efficiency of the internal control processes within the amalgamation
- Ensures the effectiveness of internal control processes and the accuracy of the management's reports



## RELATED PARTY TRANSACTIONS



The Company maintains a list of related parties. Related parties include the members of the Board of Directors and the Executive Board and their family members and controlled entities. Related parties also include members of the management and administration of the parent company.

The Board of Directors makes credit decisions concerning related parties and conducts other similar transactions with related parties, and confirms the terms and conditions applicable to related party loans. Related party credit is granted on the same terms as other customer credit, but may be subject to employee benefits if the related party is a member of the Company's staff.

The Company reports related party information as part of the notes to the financial statements.

# INSIDER MATTERS

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As the issuer of a listed bond, the Company has guidelines confirmed by the Board on insider information and its processing, the prohibited use of insider information, the insider register, trading restrictions concerning insiders, the disclosure obligation and insider administration.

In addition to legislation and international regulations, the guidance on insider matters is based on the regulations and statements issued by the Finnish Financial Supervisory Authority and the Nasdaq Helsinki guidelines, among other policies.

# AUDIT OF THE ACCOUNTS

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The Company has one auditor, which must be a firm of authorised public accountants in accordance with its Articles of Association.

The Annual General Meeting elects the auditor, whose term of office is a calendar year.

KPMG Oy Ab served as the Company's auditor in 2023, with Tiia Kataja, Authorised Public Accountant, as the principal auditor.

In 2023, the auditor was paid a total of EUR 19 771,33 in fees related to auditing. No fees were paid to the auditors for services not related to auditing in 2023.

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