

# Corporate Governance Report of Aktia Bank Abp

This report has been approved by the Board of Directors of Aktia Bank Abp ("Aktia") on 27 February 2018. The report has been prepared separately from the Directors' Report and has been examined by the Audit Committee of the Board of Directors.

This corporate governance report has been prepared in accordance with the Finnish Corporate Governance Code 2015. This report and other disclosures required under the Corporate Governance Code, the company's financial statements, the Directors' Report and the auditor's report for 2017 are available on the company's website, [www.aktia.com](http://www.aktia.com).

## Recommendations concerning corporate governance

In addition to complying with legislation in force and the company's Articles of Association, Aktia also follows the 2015 Corporate Governance Code for Listed Companies issued by the Finnish Securities Market Association ("Corporate Governance Code"), which became effective on 1 January 2016. The Code is publicly available on the website of the Finnish Securities Market Association, [www.cgfinland.fi](http://www.cgfinland.fi). Aktia is a supporting member of the Securities Market Association.

Aktia follows the recommendations of the Corporate Governance Code 2015.

Up until the abolition of the Board of Supervisors of Aktia Bank Abp on 22 September 2017 Aktia followed the recommendations of the Corporate Governance Code 2015, with the exception of Recommendation 5 (Election of Board Members) and Recommendations 18a (Nomination Committees) and 22 (Decision-making Procedure for Remuneration), as Aktia's shareholders' meeting had previously appointed a Board of Supervisors (deviations from Recommendations 5 and 22 in the Corporate Governance Code 2015), and the duties of the Board of Supervisors included appointing the Board of Directors of Directors of Aktia and deciding on the remuneration of Board members.

## Composition and duties of the Board

In keeping with the provisions of the Articles of Association, Aktia's Board of Directors encompasses a minimum of 5 and a maximum of 12 ordinary members. The shareholders' meeting decides on the number of Board members, elects Board members and decides on the fees to be paid to the Board members based on the proposal submitted by the shareholders' Nomination Committee. The Board members' mandates begin at the end of the Annual General Meeting and ends at the end of the following Annual General Meeting. The Board of Directors elects its Chairman and Deputy Chairman from among its members. No Board members are appointed through a special appointment procedure.

## Aktia Bank plc's administration structure



## Aktia's Board of Directors 2017

<b>Name:</b>	<b>Date of birth:</b>	<b>Education, job title and main occupation:</b>
Dag Wallgren, Chairman	1961	M.Sc. in Business and Economics, Managing Director of the Swedish Society of Literature in Finland
Christina Dahlblom	1978	Ph.D. in Economics, CEO of Milton Sparks Oy
Stefan Damlin	1968	M.Sc. in Business and Economics, CEO of Wärtsilä Finland Oy
Sten Eklundh	1960	M.Sc. in Business and Economics
Kjell Hedman	1951	Business Economist
Catharina von Stackelberg-Hammarén	1970	M.Sc. in Business and Economics, Managing Director of Marketing Clinic Ab
Lasse Svens	1962	M.Sc. in Business and Economics, Treasurer of the Åbo Akademi University Foundation sr
Arja Talma	1962	M.Sc. in Business and Administration, eMBA

### Independence and diversity of Board members

None of the Board members has been or is an employee of the company. The Board of Directors deems all members of the Aktia's Board to be independent in relation to Aktia within the meaning of the Corporate Governance Code 2015. According to the Board's assessment, all Board members with the exception of Lasse Svens, who is a member of the Board of Directors of Pensionsförsäkringsaktieföretaget Veritas, are also independent of significant shareholders of the company (a shareholding representing at least ten percent of the total number of shares or voting rights).

The Board has approved principles for diversity with the aim of ensuring that the Board as a whole has the expertise and the diversity required to ensure a healthy board culture, preserve shareholder value through effective supervision of the business and increase shareholder value through insights and strategic thinking. The principles are available on the company's website, [www.aktia.com/sv/johto-ja-hallinto](http://www.aktia.com/sv/johto-ja-hallinto).

The principles for diversity have been taken into account in the composition of the Board. In 2017 the share of female Board members was 38 %.

### The duties of the Board of Directors

The Board of Directors represents Aktia and is responsible for managing the company in accordance with the provisions of the applicable laws and the Articles of Association. Apart from assignments given by the Board of Directors to its members in individual cases, Board members do not have individual duties related to the governance of the company.

### Board meetings

The Board has adopted written rules of procedure for its work. Meetings of the Board are held mainly at the head office of Aktia in Helsinki. When required, the Board can also hold meetings by telephone/e-mail and adopt resolutions without convening. In accordance with the rules of procedure, the Board normally meets once a month. At one longer meeting the Board mainly discusses the Group's strategy.

Meetings of the Board of Directors are deemed quorate when more than half the members, including the Chairman or Deputy Chairman, are present.

The rules of procedure for the Board of Directors define, in greater detail, the general duties of the Board, meeting procedures, meeting minutes, ordinary meeting business, preparation and presentation of matters to be dealt with at Board meetings and reporting procedures.

In 2017 the Board held 15 meetings. In addition, the Board of Directors adopted separate decisions on 10 occasions concerning matters that fall under its authority.

Board members' attendance at meetings in 2017:

Wallgren Dag, Chairman	15/15
Svens Lasse, Deputy Chairman	15/15
Dahlblom Christina	13/15
Damlin Stefan	14/15
Eklundh Sten	13/15
Hedman Kjell	10/15
von Stackelberg-Hammarén Catharina	15/15
Talma Arja	15/15

### Composition and duties of Board committees

To draw up issues to be resolved by the Board of Directors and to make decisions on certain defined matters, the Board of Directors has three committees. The committees' rules of procedures constitute a part of the Board of Directors' rules of procedure. Under the rules of procedure, the committees must have at least two and not more than four members. The rules of procedure also specify which matters are to be prepared by the committees and the matters on which the committees are authorised to decide.

Within the framework established by the Board of Directors, the Risk Committee can make independent decisions on risk-taking and risk management issues. In addition, the committee lays down measurement, limit and reporting structures for risk issues, oversees the capital management process and lays down methods for calculating economic capital, plus addresses reporting on risk issues, and draws up risk-related matters for the Board of Directors to pass decision on. The committee decides on the annual plan and on procedures for the Compliance function, and studies the reports submitted by Compliance. In 2017 the committee held 8 meetings.

Members of the Risk Committee and meeting attendance in 2017:

Eklundh Sten, Chairman	7/8
Hedman Kjell	5/8
Svens Lasse	8/8
Wallgren Dag	8/8

The Audit Committee draws up matters to be decided upon by the Board of Directors that concern proposals for the financial statements and interim reports. The committee defines the principles for internal auditing and adopts the Group's internal audit plan. The committee studies the reports issued by the external auditor, the Internal Audit function and the Compliance function and assesses the sufficiency of the other internal reports. The Audit Committee assesses the independence of the auditor or firm of auditors and, in particular, the provision of accessory services. In 2017 the committee held 8 meetings.

Members of the Audit Committee and meeting attendance in 2017:

Talma, Arja, Chairman	8/8
Damlin Stefan	8/8
Svens Lasse	8/8

The Compensation and Corporate Governance committee prepares and puts forward proposals to be decided upon by the Board of Directors concerning guidelines for the remuneration and incentive schemes of executives, approval of the CEO's main duties towards the company, and on matters relating to the development of the Group's administration and control system. In 2017 the committee held 6 meetings.

Members of the Compensation and Corporate Governance Committee and meeting attendance in 2017:

Wallgren Dag, Chairman	6/6
von Stackelberg-Hammarén Catharina	6/6
Dahlblom Christina	6/6

## Board members' shareholdings

Shareholdings attributable to Board members and related persons, 31 Dec 2017

Name	A shares	R shares
Dag Wallgren	11,584	525
Christina Dahlbom	1,968	
Stefan Damlin	2,272	
Sten Eklundh	14,419	
Kjell Hedman	-	
Catharina von Stackelberg-Hammarén	4,625	
Lasse Svens	2,561	
Arja Talma	3,767	

Information on remuneration of Board members is found in Note G44 of the financial statements.

## CEO and his duties

Martin Backman, born 1969, M.Sc. in Engineering and M.Sc. in Business and Economics, took over as CEO on 6 March 2017. Until that date the CEO of Aktia was Jussi Laitinen, born 1956, M.Sc. in Business and Economics.

The CEO is responsible for the day-to-day management of the Aktia Group. The CEO is to attend to his duties of overseeing the bank's day-to-day management in accordance with the instructions issued by the Board of Directors. The CEO prepares matters for the consideration of the Board of Directors and implements the Board's decisions. The CEO is assisted in the day-to-day management by an Executive Committee.

## Executive Committee

### Duties of the Executive Committee

The Group's Executive Committee is tasked with assisting the CEO. The Executive Committee discusses and monitors the outcome of the Group's strategy and its earnings performance as well as outcomes for significant projects and the achievement of defined targets.

The Executive Committee has no formal corporate law status. The Executive Committee consists of the CEO, who acts as chairman, the Segment Managers and Function Managers, as stipulated by the Board. The members of the Executive Committee report to the CEO. In 2017 the Executive Committee convened every two weeks, as a rule.

### Composition of the Executive Committee

At 31 December 2017 the Group Executive Committee consisted of the following persons:

Martin Backman, b. 1969  
CEO

Education: M.Sc. in Engineering and M.Sc. in Business and Economics  
At Aktia since 2017

Juha Hammarén, b. 1960

Executive Vice President, Deputy to the CEO,

in charge of Operational Activities and Fastighetsförmedling, Aktia's estate agency business

Education: LL.M.

At Aktia since 2014

Merja Sergelius, b. 1965

Executive Vice President, in charge of Private Customers and small and medium-sized enterprises

Education: eMBA

At Aktia since 1986

Carola Nilsson, b. 1967

Executive Vice President, in charge of Private Banking

Education: M.Sc. in Business and Economics

At Aktia since 2017

Anssi Rantala, b. 1972  
 Executive Vice President, in charge of Asset Management, market research and development of Aktia's overall institutional client offering  
 Education: Ph.D.  
 At Aktia since 2014

Irma Gillberg-Hjelt, b. 1962  
 Vice President Corporate Customers  
 Education: LL.M.  
 At Aktia since 2017

Sam Olin, b. 1973  
 Vice President Premium Customers  
 Education: B.Sc. in Business and Economics  
 At Aktia since 2016

Outi Henriksson, b. 1969  
 CFO, in charge of Accounts, treasury and investor relations  
 Education: M.Sc. in Business and Economics  
 At Aktia since 2017

Minna Miettinen, b. 1969  
 Chief Digital & Marketing Officer, in charge of digitisation and marketing  
 Education: Diploma in Business Studies (Marketing)  
 At Aktia since 2017

Juha Volotinen, b. 1975  
 CIO, in charge of the Group's IT functions  
 Education: M.Sc. in Business and Economics  
 At Aktia since 2010

## Shareholdings of the Executive Committee

Shareholdings attributable to members of the Executive Committee and related persons, 31 Dec 2017

Name:	A shares	R shares
Martin Backman	70,011	
Juha Hammarén	6,955	
Merja Sergelius	20,069	
Carola Nilsson	45	
Anssi Rantala	4,500	
Irma Gillberg-Hjelt	-	
Sam Olin	-	
Outi Henriksson	-	
Minna Miettinen	-	
Juha Volotinen	1,000	

Information on remuneration of members of the Executive Committee is found in Notes G44 and G46 of the financial statements.

## Internal control in the Aktia Group

The system of internal control is designed to ensure that the activities of the Aktia Group comply with the applicable regulatory requirements and the operational guidelines adopted by the Board. Internal control is implemented at all levels of the organisation. Ensuring the appropriate organisation and functioning of internal control is part of the duties of the Board of Directors of Aktia Bank Abp.

In addition to financial reporting processes, effective internal control in the Aktia Group is ensured by the Risk Control and Compliance functions, the independent actuarial function and the Internal Audit function. All these functions operate independently of the operational side of the business and report directly to the Group's Board of Directors and the boards of the Group's regulated subsidiaries. To ensure effective internal control, the Board defines internal instructions and working methods which guarantee that the Aktia Group's business activities comply with the law.

## Financial reporting

Internal controls in the financial reporting process are based on the following underlying principles: having clear roles, a clear division of responsibility, sufficient understanding of operations in the parts of the organisation concerned and comprehensive and regular reporting procedures in the Aktia Group.

To ensure that the financial reporting is accurate, system-based internal controls, duality and reconciliation have also been built into all key processes where information is recorded. Internal control is supported by observations made by the Group's Internal Audit function which, by means of random sampling, verifies the accuracy of information flows and the sufficiency of the level of control.

The Aktia Group's operational financial reporting organisation consists of an accounts unit at Group level that is in charge of external as well as internal financial reporting. The unit's remit includes consolidation, budgeting, internal performance monitoring, updating of accounting principles, and internal financial reporting guidelines and instructions. For each business segment and key individual subsidiaries within these units, segment controllers have been appointed with responsibility for financial monitoring and analysis. The Group's reports are compiled centrally and are based on a common financial reporting system covering external as well as internal reporting, which helps to ensure that day-to-day financial reporting is handled in a uniform manner.

Important parts of current accounting activities in companies within the Aktia Group have been outsourced to external companies that provide accountancy services. These accountancy services also include the maintenance of securities, purchasing and fixed asset ledgers and the preparation of accounts in accordance with Finnish accounting standards. The services are rendered in accordance with agreements entered into between the parties and comply with the guidelines and directives issued by the Financial Supervisory Authority and other authorities. In order to develop and assess cooperation, meetings are arranged regularly with service providers. The Aktia Group has an ownership interest in and is represented on the board of Samlink Ab's wholly owned subsidiary, which handles the Aktia Group's outsourced bookkeeping services.

Within the Aktia Group, duties and responsibilities have been organised so that people involved in the financial reporting process only have very restricted rights of use to the different production systems and business applications in the respective business area. The Aktia Group's Chief Accounting Officer, who is in charge of internal and external financial management, is not involved in making direct business decisions. His incentive is mainly independent of factors driving the business. The Chief Accounting Officer reports to the Chief Financial Officer of the Aktia Group, who is a member of the Executive Committee.

The Aktia Group's internal reporting and monthly financial statements are based on the same structure and are prepared using the same standards as applied to the official interim financial statements and annual accounts. The monthly reports, supplemented by comparative analysis on previous periods, the budget, planned projects and central key figures for analysing the respective business segment are currently distributed to the Aktia Group's Board of Directors and management, selected key personnel and the auditors.

The Aktia Group's financial development and performance is addressed each month by the Group's executive committee. Similar detailed review takes place on a quarterly basis by the Group's Board of Directors and its Cudit Committee in the form of interim reports and an annual report. The annual report is revised and the interim reports are reviewed by the Group's external auditors, who report their observations to the Audit Committee. New or revised accounting principles are to be dealt with and approved by the Group's Board of Directors and its Audit Committee.

## Risk management

The Board of Directors of Aktia Bank Abp is responsible for ensuring the appropriate organisation of risk management in the Group. The Aktia Group has a Risk Control function which is independent of the operational side of the business, and which evaluates risk management in the Group and its subsidiaries and reports on risks to management and the Board of Directors. The function monitors that risks are appropriately measured, analysed and monitored in all areas of activity in the Group and makes assessments of the Group's overall risk position. The regular reports submitted by the Risk Control function to the Executive Committee and, on a quarterly basis, to the Group's Board of Directors and its Risk Committee cover all significant risk positions. The Risk Control function also reports to the boards of the subsidiary companies on a quarterly basis. Risk control in the subsidiaries takes account of the particular characteristics of each subsidiary and the specific regulations which apply to its operations. The Risk Control function is guided by a set of principles and an annual plan for the function, which are adopted annually by the Board of Directors.

The Board determines principles, instructions, risk strategies and risk appetite in the Group, and thus establishes a framework for risk management in the Group. The Board's Risk Committee also prepares risk management-related matters for resolution by the Board.

The main principles for risk management in the Aktia Group as well as the processes and internal control procedures are described in detail in the Capital and Risk Management Report 2017 CAR, which is available on the website, [www.aktia.com/sv/julkaisut](http://www.aktia.com/sv/julkaisut).

## The Compliance function

In the Aktia Group the Compliance function performs advisory, supervisory and reporting tasks for the purpose of ensuring compliance with the applicable customer protection, market conduct and anti-money laundering regulations, and is responsible for maintaining instructions on compliance risk management. Compliance is a separate function which supports Aktia's operational activities and is tasked with ensuring that these activities are conducted in compliance with the applicable laws. The Compliance function is governed by a set of principles and an annual plan for the function which are adopted annually by the Board of Directors. The Compliance function reports on a quarterly basis to Aktia Bank Abp, the boards of the concessionaire subsidiaries and the Board's Risk Committee, describing the function's observations, changes in the regulations applied and any impact that these may have on the activities.

As a listed company and issuer, Aktia Bank Abp follows Nasdaq Helsinki Oy's (the Helsinki Stock Exchange) Guidelines for Insiders and the Market Abuse Regulation (MAR), under which companies are required to draw up insider lists and lists of persons discharging managerial responsibilities and persons closely associated with them. More information on the handling of insider information is available on Aktia's website <https://www.aktia.com/sv/johto-ja-hallinto/sisapiirihallinto>.

Credit matters in Aktia Bank involving Aktia Bank Abp's Board members, CEO and other members of the Executive Committee are generally handled by the Board of Directors of Aktia Bank Abp. Transactions with related persons are presented in Not G44 to the financial statements.

## Internal auditing

The Aktia Group has an Internal Audit function that is independent of the operational side of the business. The function examines the adequacy and effectiveness of the internal monitoring system and the quality of the tasks performed, and thereby (by addressing observed shortcomings and identifying areas of potential improvement) helps to ensure that necessary changes are implemented. Principles for the activities of the Internal Audit function as well as the Group's audit plan are reviewed and adopted by the Group's Board of Directors on an annual basis. On a quarterly basis, Internal Audit reports on its key observations, the review of previously implemented actions and the implementation of the audit plan directly to the Aktia Group's Board of Directors and its Audit Committee.

The Internal Audit function operates in accordance with the international framework for the professional practice of internal auditing, including the definition of internal audit, the professional ethical code, and guidelines for professional internal auditing. The function also follows other legislation and regulatory requirements applying to the industry.

## Auditor

The auditing firm KPMG Oy Ab with Jari Härmälä, Authorised Public Accountant, as lead audit engagement partner has been the Aktia Group's auditors since 2017. The auditor is elected by the shareholders' meeting. Information on fees paid for audit and non-audit services is provided in Note G12 to the financial statements.