



**HYPO**

**THE MORTGAGE SOCIETY OF FINLAND  
2024 CORPORATE GOVERNANCE STATEMENT**

Approved by the Board of Directors on 27<sup>th</sup> of February 2025

## 2024 Corporate Governance Statement

Although The Mortgage Society of Finland (hereinafter "Hypo") is not a listed company, it issues publicly traded bonds thus it must comply with many of the regulations concerning listed companies. Hypo adheres to the Finnish Corporate Governance Code issued by the Securities Market Association and which came into effect on 1.1.2025 (hereinafter "the Code"). The Code in Finnish is available in Finnish at [www.cgfinland.fi/hallinnointikoodit](http://www.cgfinland.fi/hallinnointikoodit). This Corporate Governance Statement concerning Hypo Group is based on the reporting regulation of the Code and is available on Hypo's website at <https://www.hypo.fi/en/investor-relations/>.

Due to its specific company form, a mortgage society, Hypo as a mutual company deviates from publicly listed companies by its governance structure. Hypo is a mutual company owned by its members i.e. its lenders. Hypo does not have or issue shares, and individual members do not have any claim on the society's assets or profits. The special legislation (Act on Mortgage Societies 8.12.1978/936) triggers several deviations from the Code. The Board of Directors has taken a decision on 29 February 2016 on compliance with the Code as well as on the deviations from it. There are altogether 10 deviations of which eight (8) are based directly on special legislation and two (2) on bylaws. One (1) of the deviations is of a temporary nature and is based on a decision of the Board of Directors.

The deviations are:

BASIS	BASIS	CONTENT OF THE DEVIATION
Recommendation 1: convocation of a general meeting and proposals	Act on Mortgage Societies 16 § and 18 §	The Annual Meeting selects the members of the Supervisory Board and decides on their remunerations. The Supervisory Board selects the Board of Directors and decides on their remunerations
Recommendation 5: Election of the Board of Directors	Act on Mortgage Societies 16 §, 18 § and 19 §	The Annual Meeting selects the members of the Supervisory Board and decides on their remunerations. The Supervisory Board selects the Board of Directors and decides on their remunerations.
Recommendation 6: Term of the Board of Directors	Act on Mortgage Societies 18 § and 19 §, Bylaws 18 §	The Supervisory Board selects the Board of Directors, the term according to the Code is one year.
Recommendation 10: Independence of the members of the Board of Directors	Act on Mortgage Societies 19 §, Bylaws 18 §	The CEO and the Deputy CEO are the members of the Board of Directors.

Recommendation 15: Selection of the members of the Committees	Act on Mortgage Societies 18 §, Bylaws 16 §, 17 §	Selection of the members in accordance with the procedure pursuant to laws and regulations, partly by operation of law
Recommendation 17: Remuneration Committee	Bylaws 17 §, Act on Mortgage Societies 18 §	Selection of the members in accordance with the procedure pursuant to laws and regulations, partly by operation of law
Recommendation 18a: Nomination Committee	Bylaws 16 §, Act on Mortgage Societies 18 §	Consists of the members of both Supervisory Board and Board of Directors
Recommendation 18b: Nomination Committee of the shareholders	Act on Mortgage Societies 16 § ja 18 §	It is for the Supervisory Board to choose the Board of Directors A Member of The Mortgage Society of Finland can make a nomination for a member of the Supervisory Board in accordance with the procedure pursuant to laws and regulations,
Recommendation 19: Terms of the service relationship of the CEO	Act on Mortgage Societies 18 §	Terms of the service relationship set out in written, however, the terms are approved by the Supervisory Board instead of the Board of Directors
Recommendation 22: Decision making concerning the remuneration	Act on Mortgage Societies 18 §	The Supervisory Board decides on the remuneration of the members of the Board of Directors

During 2016, an amendment to the bylaws of Hypo was made to enable the issuance of covered bonds as a funding operation.

The following information on corporate governance of Hypo concern its operations in 2024.

### The General Meeting

The General Meeting of Hypo is being held each year by the end of April at a date determined by the Board of Directors. The notice to convene the meeting is published in at least one nationwide newspaper, in Official Gazette (in Finnish: Virallinen lehti) and on the website of Hypo no later than two weeks prior to the meeting. In 2024, the General Meeting was held on 20 March 2024.

Members of Hypo that do not have any unpaid amounts due are entitled to participate at the meeting. Members who have registered to the meeting in due time have a right to vote.

It is for the General Meeting to:

- deal with the annual accounts for the previous financial period, the statement of the Supervisory Board and the auditors' report;



- confirm the annual accounts for the previous financial period and to decide on the use of the annual profit or the measures called for by the loss in accordance with the confirmed annual accounts;
- grant discharge from liability to the Board of Directors and others liable to render accounts or to decide on the measures to be taken if discharge from liability is not granted;
- decide on the remunerations payable to the members of the Supervisory Board and the auditors of Hypo on the basis of the proposal of the Remuneration Committee of Hypo;
- decide on the number of the members of the Supervisory Board and elect them from among the members appointed by the members. A proposal regarding the members of the Supervisory Board is made by the Nomination Committee of Hypo having regard to the general and specific qualification and independence requirements imposed on the members of the Supervisory Board;
- elect for each financial period for the audit of the books and annual accounts and management of Hypo and audit firm or two auditors with deputies who are auditors or audit firms approved by the Finnish Central Chamber of Commerce; and
- handle any other topics raised by the members of the Board of Directors or Hypo.

## The Supervisory Board

### Duties

The Supervisory Board ensures that Hypo is governed with appropriate caution and care and in compliance with laws and regulations and the decisions made by the General Meeting and the Supervisory Board.

The Supervisory Board and its inspectors monitor financial reporting, internal auditing, risk management and auditing of the accounts. They also evaluate the auditor's independence and the quality of non-audit services. Twice a year, the inspectors examine the management and administration of Hypo's cash balance, liquidity, securities, obligations and loan and collateral documents.

The Supervisory Board shall especially:

- handle the duties prescribed in the Act on Mortgage Societies as the duties of the Supervisory Board;
- determine the number of members of the Board of Directors and to elect and discharge the from liability; a proposal regarding the board members is made by the Nomination Committee of Hypo having regard to the general and specific qualification and independence requirements imposed on the board members;
- decide on the remuneration payable to the members of the Board of Directors on the basis of the proposal of the Remuneration Committee of Hypo;
- elect and discharge the CEO and the Deputy CEO at the proposal of the Nomination Committee of Hypo and decide on the remuneration payable to them at the proposal of the Remuneration Committee of Hypo;
- elect and discharge other directors from liability and decide on the remuneration payable to them to the extent that the Supervisory Board has not delegated the task to the Board of Directors or to the management appointed by it;
- confirm the instructions on how the administration of the branches should be arranged;

- confirm the general terms to be observed in lending;
- confirm the general terms to be observed in funding;
- have the inspectors elected by it to perform an audit of the cash, books, securities and liabilities as well as on the loan and collateral documents and the management and administration of liquidity of Hypo at least twice annually;
- confirm the principles applied to the annual accounts with special regard to the proper and prudent valuation of the funds as well as confirm the annual accounts for submission to the General Meeting of Hypo;
- confirm the agenda of the Nomination Committee and Remuneration Committee of Hypo; and
- decide on the establishment and closing of a branch and see that the branches are appropriately inspected.

### Composition

The Supervisory Board must consist of at least 12 and at most 18 members. The members are appointed by the General Meeting on a proposal from the Nomination Committee for a maximum term of three years. The members of the Supervisory Board must be voting members of Hypo.

At the end of financial year 2024 the Supervisory Board consisted of nine (9) women and nine (9) men.

### Members of the Supervisory Board 2024

Mr. Hannu Hokka (b. 1960), Chair, M.Sc. (Econ.), Managing Director, present at 3/3 meetings

Mr. Timo Kaisanlahti (b. 1960), Vice Chair, LL.D., M.Sc. (Econ.), Professor of Practice, present at 1/3 meetings

Mr. Timo Aro (b. 1967), D.Soc.Sc., Research Director, present at 3/3 meetings

Ms. Elina Bergroth (b. 1965), MA, Lecturer, present at 3/3 meetings

Ms. Julianna Borsos (b. 1971), D.Sc. (Econ.), Managing Director, present at 2/3 meetings

Mr. Mikael Englund (b. 1955), M.Sc. (Tech.), MBA, present at 3/3 meetings

Mr. Markus Heino (b. 1965), LL.M. (Trained at the bench), Managing Director, present at 2/3 meetings

Mr. Timo Hietanen (b. 1958), M.Sc. (Econ.), present at 3/3 meetings

Ms. Hanna Kaleva (b. 1965), M.Sc. (Econ.), Managing Director, present at 2/3 meetings

Ms. Erika Launonen (b. 1975), M.Sc. (Econ.), present at 2/2 meetings

Mr. Juha Metsälä (b. 1967), M.Sc. (Tech.), President and CEO, present at 1/3 meetings

Mr. Elias Oikarinen (b. 1973), D.Sc. (Econ.), Assistant Professor, present at 2/3 meetings

Mr. Kallepekka Osara (b. 1965), Agrologist, Farmer, present at 3/3 meetings

Ms. Liisa Suvikumpu (b. 1975), PhD, Managing Director, present at 1/3 meetings

Ms. Maija Urponen (b. 1972), D.Soc.Sc., Managing Director, present at 3/3 meetings

Ms. Mari Vaattovaara (b. 1967), PhD, Professor of Urban Geography, Vice Dean, present at 3/3 meetings

Ms. Riitta Vahela-Kohonen (b. 1956), MA, present at 3/3 meetings

Ms. Ira van der Pals (b. 1972), M.Sc. (Econ.), Chief Investment Officer, present at 3/3 meetings

### Inspectors of the Supervisory Board 2024



Mr. Hannu Hokka, Chair  
 Mr. Timo Kaisanlahti, Vice Chair  
 Mr. Markus Heino (until 19<sup>th</sup> of March 2024)  
 Mr. Mikael Englund (until 19<sup>th</sup> of March 2024)  
 Mr. Timo Hietanen (since 20<sup>th</sup> of March 2024)  
 Ms. Hanna Kaleva (since 20<sup>th</sup> of March 2024)

#### Deputy Inspectors of the Supervisory Board 2024

Mr. Timo Hietanen (until 19<sup>th</sup> of March 2024)  
 Ms. Hanna Kaleva (until 19<sup>th</sup> of March 2024)  
 Ms. Erika Launonen (since 20<sup>th</sup> of March 2024)  
 Mr. Juha Metsälä (since 20<sup>th</sup> of March 2024)

#### Operation

The Supervisory Board elects among them a chair and a vice chair as well as the inspectors for the Supervisory Board for a term of one year.

The Supervisory Board assembles annually in February, in March and in August and holds additional meetings when necessary. The Inspectors of the Supervisory Board assemble twice a year, in February and in March.

In 2024, the Supervisory Board held three (3) ordinary meetings. The Inspectors of the Supervisory Board held two (2) meetings in which four (4) Inspectors were present.

#### Remunerations

The General Meeting decides on the remunerations of the Supervisory Board on a proposal from the Remuneration Committee. A total remuneration, which consists of annual fee paid in cash and an amount equivalent to the r paid in cash as insurance premium to the defined contribution-based Department M of Hypo's Pension Foundation, is paid to the members of the Supervisory Board. In addition, a meeting attendance fee based on attendances at the meetings is paid to the members of the Supervisory. A meeting attendance fee based on attendances at the meetings is paid also to the inspectors of the Supervisory Board.

### **The Committees of Hypo**

#### The Nomination Committee

The Nomination Committee prepares a proposal for the General Meeting for appointments to the Supervisory Board. It also prepares a proposal for the Supervisory Board for appointments to the Board of Directors as well as a proposal for the appointment of the CEO and the Deputy CEO. The Nomination Committee of Hypo consists of the Chair and the Vice Chair of the Supervisory Board and the Chair and the Vice Chair of the Board of Directors. In addition, the CEO or the Deputy CEO attends the meetings of the Nomination Committee as a preparer and presenter of matters. The Supervisory Board approves the rules of procedure of the Nomination Committee. The General Meeting decides on the basis for remunerations. A meeting attendance fee is paid for the meetings of the Nomination Committee.

## Members of the Nomination Committee 2024

Mr. Hannu Hokka, Chair  
Ms. Sari Lounasmeri, Vice Chair  
Mr. Harri Hiltunen, Member  
MR. Timo Kaisanlahti, Member

In 2024, the Nomination Committee held five (5) meetings where all the members of the committee were present.

## The Remuneration Committee

The Remuneration Committee prepares a proposal for the General Meeting on the remunerations payable to the members of the Supervisory Board and to the auditors. It also prepares a proposal for the Supervisory Board on the remunerations payable to the members of the Board of Directors. The Remuneration Committee of Hypo consists of the chair, vice chair and inspectors of the Supervisory Board. The Remuneration Committee's agenda must be confirmed by the Supervisory Board. The General Meeting decides on the basis for remunerations. No meeting attendance fees are paid for the meetings of the Remuneration Committee.

## Members of the Remuneration Committee 2024

Mr. Hannu Hokka, Chair  
Mr. Timo Kaisanlahti, Vice Chair  
Mr. Mikael Englund (until 19<sup>th</sup> of March 2024)  
Mr. Markus Heino (until 19<sup>th</sup> of March 2024)  
Mr. Timo Hietanen (since 20<sup>th</sup> of March 2024)  
Ms. Hanna Kaleva (since 20<sup>th</sup> of March 2024)

In 2024, the Remuneration Committee held one (1) meeting in which four (4) members were present.

## **The Board of Directors**

### Duties

The Board of Directors governs Hypo in compliance with laws and regulations and the decisions and guidelines issued by the General Meeting and the Supervisory Board.

The Board of Directors does not have a separate audit committee as the Board for its part acts as the audit committee. Inspectors of the Supervisory Board contribute to the task.

The Board of Directors shall see to the duties assigned to a board in the Finnish Act on Credit Institutions and in the Act on Mortgage Societies, and it shall, in particular:

- confirm the mission, vision, values, ethical code, and strategy of Hypo and constantly ensure that they are up-to-date;





- see to appropriate arrangement and adequacy of internal controls and approve principles of internal controls;
- approve an annual action plan and budget based on the strategy and observe that they are implemented;
- approve strategy, objectives, and principles of capital adequacy as well as requirements for the measuring and evaluation procedures and at the same time approve risk appetite and risk-taking level;
- confirm at least annually business plan for mortgage credit banking with at least the certain limits therein, considering the interests of depositors in Suomen Asuntohypopankki Oy as well as other creditors of Hypo, and inform these limits to Finnish Supervisory Authority:
- when necessary, update the evaluation method for future cash flows of variable argeements in mortgage credit banking activities;
- decide on the budget and investments with strategical importance and transactions;
- monitor the fulfillment of business and capital adequacy targets;
- decide on as unusual transactions falling outside business plans;
- approve an ICT strategy;
- evaluate efficiency of corporate governance arrangements and, where needed, take action to correct any deficiencies;
- see to the appropriate arrangements of the governance and operations of Hypo;
- see to the appropriate arrangement of the bookkeeping and finances of Hypo;
- prepare the rules of procedure for the Nomination and Remuneration Committees and submit them to the Supervisory Board for confirmation;
- prepare and approve orientation and training principles for members of Board of Directors and Supervisory Board;
- approve the rules of procedure of the Board of Director's Risk Committee;
- approve the general terms concerning the operation of Hypo as well as the allocation of duties between the CEO and members of the Board of Directors and their right to represent Hypo;
- approve the group's organizational structure, composition of the Management Group and the charter of Hypo;
- approve and document principles of and create and document procedures for evaluation and securing of suitability, credibility, and professional skills of directors (fit and proper);
- approve principles for avoiding conflicts of interest and make sure that they are complied with;
- see to that mortgage credit banking activities are organized in a way that they can be continued in the case of potential liquidation of Hypo, as regulated in the Act on Mortgage Credit institutions and Covered Bonds;
- see to that the requirements regarding payment priority as regulated in the Act on Mortgage Credit Institutions and Covered Bonds, are fulfilled on a continuous basis;
- see to any the statutory registrations;
- appoint to the pension foundation of Hypo three members and deputy members representing the employer; and
- convene the General Meetings of Hypo and the Supervisory Board;
- guide and oversee the operative management and set personal targets for the CEO annually and assess the fulfilment of the targets;
- when needed, make proposals for the Supervisory Board on the remuneration plan of the CEO and the deputy CEO;



- if the Supervisory Board so decides, elect and discharge the directors under the CEO's direct command and decide on the remuneration payable to them;
- assess and evaluate the functionality of the remuneration policies and how the decided remuneration policies are complied with as well as evaluate the remuneration of personnel working in internal control functions;
- decide on the applications by the CEO, the Deputy CEO, other directors, managers, and permanent employees concerning secondary occupations;
- observe the working atmosphere of Hypo and how the personnel manage their tasks; and
- approve the development plan for the work community whereby it is made sure that the professional skills of employees of working on or recruited to Hypo are adequate, and that said plan is enforced in accordance with the Act on Co-operation;
- review and approve both interim reports and annual accounts;
- confirm general terms regarding operations of Hypo;
- prepare the general terms to be observed in lending and submit them to the Supervisory Board for confirmation;
- prepare the general terms to be observed in funding and submit them to the Supervisory Board for confirmation;
- confirm the policies, principles and guidelines supplementing the general terms; and
- approve principles of communication and have it enforced in accordance with the Act on Co-operation;
- decide on loans and credits that are out of the ordinary with regard to their amount or collateral, and of the credits for members of the committees and personnel of Hypo, or delegate the decision-making authority concerning these matters to the operative management; and
- decide on the buying, selling, exchanging, and mortgaging of immovable property;
- approve general principles of risk management and risk-area specific principles;
- monitor the risks and risk management on risk-area basis, and give instructions to the CEO when needed;
- go through the essential risks related to the activities of Hypo, internal controls, and their management at least on an annual basis and give instructions thereon to the CEO where necessary, and make sure e.g. that the personnel follow the principles of managing credit risk and information security;
- approve continuity plan;
- approve recovery plan; and
- approve country limits for the investment activities defining maximum euro amounts for cash management investments and marked value for derivative receivables from a certain country;
- hold a joint general meeting with the auditors and internal auditors at least once a year;
- monitor fulfillment of recommendations given by internal audit and external auditors;
- approve the guidelines and annual plan of the internal audit;
- assess adequacy of internal controls;
- see to that risk management, compliance and internal auditor function have adequate and skillful human resources;
- approve compliance principles;
- assess adequacy of compliance with regulatory requirements by compliance reports;
- see to that an independent evaluation is made of internal capital adequacy assessment process and processes of its quality assurance; and

- have an internal control function to give a report on compliance with remuneration system decided by the Board of Directors, including an assessment of the gender neutrality thereof;
- convene at least once a year without the presence of the operative management;
- assess its own operation once a year; and
- address any other matters that chair of the Board of Directors or the CEO has proposed to be included in the meeting agendas. The members of the Board of Directors are also entitled to bring a matter to be heard by the Board of Directors by notifying the chair thereof.

### Composition

The Act on Mortgage Societies (936/1978) states that “the Board of Directors of a mortgage society shall comprise at least five members selected by the Supervisory Board. In addition, the CEO and another director of the mortgage society shall be members of the Board of Directors.” Aforementioned has been specified in the rules meaning that alongside the CEO, his deputy is a member of the Board. The CEO and the Deputy CEO prepare matters for the meetings of the Board of Directors. In the view of the Board, the other members of the Board of Directors are independent of the company, as specified by the Finnish Corporate Governance Code.

### Members of the Board of Directors 2024

Ms. Sari Lounasmeri (b. 1975), Chair, M.Sc. (Econ.), Managing Director, member of the Board since 2011, present at 15/15 meetings  
Mr. Harri Hiltunen (b. 1961), Vice Chair, M.Sc. (Econ.), Managing Director, member of the Board since 2012, present at 15/15 meetings  
Ms. Hanna-Maria Heikkinen (b. 1979), member since 2023, M. Sc. (Econ.) Head of Investor relations, present at 15/15 meetings  
Mr. Kai Heinonen (b. 1956), LL.M. eMBA, Managing Director, member of the Board since 2014, present at 15/15 meetings  
Mr. Pasi Holm (b. 1962), D.Soc.Sc., member of the Board since 2015, present at 15/15 meetings  
Mr. Mikko Huopio (b. 1968), LL.M (Trained at the bench), the Deputy Chief Executive Officer, member of the Board since 2017, present at 15/15 meetings  
Mr. Hannu Kuusela (b. 1956), D.Sc. (Econ.), Professor, member of the Board since 2001, present at 15/15 meetings  
Mr. Ari Pauna (b. 1967), LL.M., Chief Executive Officer, member of the Board since 2006, served as Secretary to the Board 2002 – 2009, present at 15/15 meetings  
Ms. Salla Seppä (b. 1975), member since 2023, M. Soc.Sc., Chief Customer Experience Officer, present at 15/15 meetings

Deputy CEO Mikko Huopio served as Secretary to the Board.

### Independence of the members of the Board of Directors

As stated before, an exception based on the Act on Mortgage Societies and other regulations concerning CEO and the Deputy CEO, has been made from the Finnish Corporate Governance Code. Inasmuch as CEO and his deputy are members of the Board of Directors, they cannot be considered independent of the company.



By the end of the financial year 2024, Board members not employed by Hypo, Managing Director Sari Lounasmeri, Managing Director Kai Heinonen, Managing Director Harri Hiltunen and Professor Hannu Kuusela have been acting as members of the Board for more than ten years. Based on an overall evaluation, considering Hypo's mutual company form, nature and complexity of the operations and other managerial functions of the aforementioned members of the Board, the long membership on the Board has not jeopardized their independence. On the contrary, a long membership has been considered a positive thing for perseverance and for the development of the company's business activities.

### Meetings

In its operation, the Board of Directors complies the rules of procedure it has approved. As a rule, the Board assembles monthly on the last working day of each month excluding the month of July. When necessary, the Board assembles more often by meetings over the phone or via email. In 2024, the Board held 13 general meetings. In addition, the Board held two (2) meetings via email.

### Remunerations

The Supervisory Board decides on the remuneration paid to the Board of Directors on a proposal from the Remuneration Committee. Remuneration is paid as a total remuneration, which consists of annual fee and meeting attendance fees paid in cash, annual fee paid as insurance premium to the defined contribution-based Department M of Hypo's Pension Foundation as well as the value of the voluntary statutory pension insurance (TyEL insurance). The amount of annual fee paid as insurance premium is equivalent to the annual fee paid in cash. The accumulated funds in pension foundation are at the disposal of each member of the Board as a pension benefit when they retire. The members of the Board are not part of the remuneration scheme, which would entitle them to receive additional remunerations along with the remunerations decided by the Supervisory Board.

### Diversity of the Board of Directors

When deliberating the composition of the Board, the Nomination Committee pays attention to the realization of the diversity and to the gender balance of the Board.

The Board of Directors should be diverse. The assessment of the skills and expertise profiles guides the preparation of the nomination as well as the selection of a single member of the Board. Taking into consideration the nature and the complexity of Hypo's operations as well as the working of the board, each member should have relevant know-how, experience and background in order to form a competent and diverse board required by Hypo's operating environment. Diversity of the Board of Directors has materialized well. Allocation of experience and knowledge of the members of the Board has been sufficient on areas that are relevant to Hypo's business operations.

The objective is that at least two out of the seven external members of the Board are women while two of them are men. This objective has been realized in the board composition in 2024. At the end of financial year 2024 the Board of Directors consisted of three (3) women and four (4) men (women holding 43 % of the board seats and men 57 % of the board seats).

## **The Board of Directors' Risk Committee**

The purpose of the Risk Committee of Hypo Group is to assist the Board of Directors with the matters concerning risk strategy and risk-taking as well as support the Board in its work to assess and monitor the risk position.

The purpose, status and duties of the Risk Management Committee reporting directly to the Board are based on the Finnish Act on Credit Institutions.

It is for the Risk Management Committee to

- estimate whether the rates charged by the group for services that tie up capital correspond with group's business model and risk strategy and when necessary, present the Board of Directors a plan to address the issue;
- comprehensively monitor the risk management situations and assesses especially whether the operational management complies with the risk strategy decided by the Board of Directors:
- review and assess the risk management plans and measures;
- regularly assess and review group's external and internal risk reports prior to their examination at the meeting of the Board of Directors;
- regularly assess and review the description of the group's capital adequacy management prior to their examination at the meeting of the Board of Directors;
- assist the Remuneration Committee with setting up a remunerations scheme for the group; and
- estimate whether group's remunerations schemes encourage to take into account the business risks, capital requirements and LCR, amortization and probability of accumulation of the profits.

### Members of the Board of Directors Risk Management Committee 2024

Ms. Sari Lounasmeri, Chair

Mr. Harri Hiltunen, Vice Chair

Mr. Kai Heinonen, Member

In 2024 the Risk Management Committee held four (4) meetings. All the members were present at three (3) meetings while two (2) members were present at one (1) meeting. CEO Ari Pauna was present at all the four meetings. Risk Director Elli Reunanen was present at all the four (4) meetings. The Deputy CEO Mikko Huopio served as Secretary to the Board of Directors Risk Management Committee (present in four (4) meetings). A meeting attendance fee is paid for the members of the Risk Management Committee.

## **The Chief Executive Officer, the Deputy Chief Executive Officer and the Management Group**

The CEO is responsible for ensuring that Hypo's routine administration complies with the laws, regulations and orders of the authorities and the guidelines issued by the Supervisory Board and the Board of Directors. The CEO is also responsible for implementing the decisions made by the Board of Directors.

The Supervisory Board of Hypo appoints the CEO on a proposal from the Nomination Committee. Mr. Ari Pauna, LL.M. (b. 1967) took up the position of Chief Executive Officer on the 1<sup>st</sup> of January 2013. The CEO's service contract is valid until further notice.

The Deputy Chief Executive Officer acts as a deputy to the CEO and manages Hypo's day-to-day administration in accordance with the applicable legislation, the decisions and the instructions of the Supervisory Board as well as with the instructions and orders given by the Board of Directors and its Vice at each time.

The Supervisory Board of Hypo appoints the Deputy CEO on a proposal from the Nomination Committee. Mr. Mikko Huopio, LL.M, trained at the bench (b. 1968) took up the position of Deputy Chief Executive Officer on the 1st of January 2020. The Deputy CEO's employment contract is valid until further notice.

The remunerations paid to the CEO and to the Deputy CEO are published in the notes to the financial statements in Hypo's annual report as well as in the Remuneration Statement. The CEO and the Deputy CEO are covered by the performance-related pay scheme confirmed by the Board of Directors. Both the CEO and the Deputy CEO are entitled to a normal pension in accordance with Employees Pensions Act. At the end of financial year 2024 the CEO and the Deputy CEO were both men.

The Management Group assists Hypo's CEO, operating under his supervision and responsibility. The Board of Directors has confirmed the composition of the Management Group and approved its rules of procedure. The Management Group prepares strategic matters, significant operational matters and operational matters of principle for the meetings of the Board of Directors. It also plans, implements and monitors the Group's ongoing operations. The Management Group makes decisions concerning Hypo's internal rules and competencies as well as personnel arrangements within the limits of the powers delegated to the CEO. The Management Group also has the special task of granting exceptional loans within the limits of powers delegated to it.

#### Members of the Management Group 2024

Mr. Ari Pauna, Chief Executive Officer (b. 1967), Chair  
LL.M.  
member since 2002

Mr. Mikko Huopio, Deputy Chief Executive Officer (b. 1968)  
LL.M. (Trained at the bench)  
member since 2010  
operational responsibilities: legal matters, corporate governance, development and ICT

Mr. Mikke Pietilä, Chief Financial Officer (b. 1988)  
M. Sc. (Econ.)  
member since July 2023  
operational responsibilities: financial administration

Ms. Elli Reunanen, Chief Risk Officer (b. 1974)  
LL.M. (Trained at the bench)  
member since July 2023

operational responsibilities: risk management

Data Officer Tom Lönnroth served as a secretary to the Management Group in 2024.

At the end of financial year 2024 the Management Group consisted of one (1) woman and three (3) men.

## **Characteristics of Internal Auditing and Risk Management Systems Related to Financial Reporting Process**

### Financial information and regulation

The fulfillment of Group's operational and financial goals as well as Group's risk position are monitored by management's continuous financial and risk reporting. The Management Group and the Board of Directors follow the Group's financial status and progress in their monthly meetings.

Group's external reporting is based on the IFRS-standards, the Act on Credit Institutions, other mandatory regulations regarding credit institutions, the Accounting Act, the Accounting Ordinance, general advice and instructions issued by the Accounting Board as well as standards, instructions and regulations issued by the Financial Supervisory Authority. Group's financial statements are compiled in accordance with the IFRS-regulations. Financial statements for the separate companies are compiled according to the national accounting principles.

The reporting needs stemming from continuously growing business requirements and more strict regulations are met with capable and skilled financial administration resources. The financial administration organization, subordinate to the CFO, is responsible for the Group's financial reporting. The organization is also responsible for budgeting and updating the principals regarding financial statements. The independence of the financial administration organization from other business operations has been taken into account by managing user rights of the people involved in the financial reporting process.

In addition to the financial statements, Hypo Group publishes interim report quarterly. The release calendar is available at company's website.

### The Control system

Group's auditors inspect annually the financial statements and the Board of Directors' report as well as the interim reports published quarterly. External auditors report their audit findings to the Board of Directors, inspectors of the Supervisory Board and to the Supervisory Board, who for their part, carry out an audit of the financial reporting process.

Internal control refers to the measures within the leadership and operations of Hypo, that are undertaken to ensure the accomplishment of business objectives with as little disruption as possible. Internal control ensures the achievement of operational and strategic goals, reliability of financial information and reporting as well as compliance with regulations. The Group has in place the written principles governing the internal control.



Internal control functions consists of risk management responsible for risk monitoring together with compliance function and internal audit. Business operations' own control measures are one of the main focus areas of risk management and internal audit. Internal control functions report to the management, to the Board of Directors and to the inspectors of the Supervisory Board.

Risk management, by preference independent of Group's business operations, is responsible for the entire risk management operation and for the analysis and reporting of individual risk categories. Risk management is also responsible for the development of the aforementioned operations. The Management Group follows up on the Group's risk position on a monthly basis in its meetings. The Board together with the Risk Management Committee process risk reports at least quarterly, more often if needed. Risk Management produces an extensive and comprehensive Group-wide risk report and evaluation at least twice a year.

The purpose of the Group's risk management is to maintain sound business operations with effective risk management. At the same time the aim is to ensure that all relevant risks that could potentially have adverse effect on implementation of the strategy and reaching of the targets set, are identified, evaluated and reported on regular basis and that the risk buffers and various internal monitoring limits are sufficient and that they have an impact on the operations.

Compliance concentrates on ensuring that the business operations are aware of the changing requirements of the regulatory environment and that both the business processes and the products and services are in compliance with said requirements.

Group's internal audit assesses and ensures efficiency and sufficiency of internal controls in management and administrative processes and risk management. Furthermore, internal audit carries out an independent assessment of capital adequacy management on annual basis. Functionally, internal audit is subordinate to the inspectors of the Supervisory Board, the Board and the CEO and administratively subordinate to the CEO. The Board and the inspectors of the Supervisory Board confirm an action plan to the internal audit on annual basis. Internal Audit, a unit independent of the Group's operations, is managed by the Chief Audit Executive.

Risk management, compliance, internal audit and other such operations, which by nature so require, are audited by an external and independent body when necessary. The latest such audit took place in 2019 on risk management and compliance functions and 2024 on internal audit function.

Risks and risk management of the Group are explained in further detail as a part of the audited financial statements, Board of Directors' Report and notes to the consolidated financial statements.

The Group has an appointed Data Protection Officer responsible for monitoring the application of the data protection requirements and who acts as a single contact point in all matters related to data protection. In addition, the Group has a designated person responsible for overseeing anti-money laundering and countering the financing of terrorism.



## **The Auditors**

The General Meeting must select an authorized public accountant or two auditors and their deputies during each financial period for the purpose of auditing the accounts, financial statements and administration. All of the aforementioned must be auditors or public accountants authorized by the Finnish Chambers of Commerce.

For 2024, Ernst & Young Oy, Authorized Public Accountants, was selected to carry out auditing. The Chief Auditor is Mr. Miikka Hietala, Authorized Public Accountant (KHT) and Sustainability Auditor (KRT), M.Sc. (Econ. and Bus. Admin.).

In 2024, the Authorized Public Accountants was paid a fee of EUR 290,572.75 for the audit and a fee of EUR 34,180.18 for the non-audit services (amounts not including VAT).

## **The Related Party Transactions**

Hypo's related parties (a.k.a close circle) are determined in accordance with the IAS 24 Standard. Based on Chapter 15 Section 13 of the Finnish Act on Credit Institutions, the close circle has been extended to comprise the auditor and the alternate auditor as well as the official of the Authorized Public Accountants with the main responsibility for the audit.

Transactions that are material to the company and that deviate from the company's normal business operations are not concluded between the company and its related parties. Possible related party transactions are related to the loans granted to the related parties or transactions concerning a single housing company share between Hypo and a its related party. All of the aforementioned transactions are normal transactions and implemented under arm's-length terms. However, particular attention must be paid in connection with them.

## **The Language versions**

This document is an unofficial English translation of the Finnish version. In case of discrepancy, the Finnish version shall prevail.