

Bonum Bank Plc

**CORPORATE
GOVERNANCE
STATEMENT**

2021

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This document is a translation of Bonum Bank Plc's original Finnish version of "Selvitys hallinto- ja ohjausjärjestelmästä 2021". In case of discrepancies, the Finnish version shall prevail.

1. INTRODUCTION AND APPLICABLE REGULATIONS

This statement is the Corporate Governance Statement of Bonum Bank Plc (hereinafter referred to as “Bonum Bank” or the “bank”) in accordance with chapter 7, sections 1–5 and 7, and chapter 8, section 15 of the Act on Credit Institutions and chapter 7, section 7 of the Securities Markets Act. The Corporate Governance Statement is issued separately from the Board of Directors’ report. The company’s Board of Directors reviewed this report on 25 February 2021. This Corporate Governance Statement and Bonum Bank’s financial statements, Board of Directors’ report and auditor’s report are available on the bank’s website at www.poppankki.fi.

Bonum Bank’s operations are regulated by EU legislation, national laws and official regulations and guidelines. Key laws in this respect include the Act on Credit Institutions, the Act on the Amalgamation of Deposit Banks, the Limited Liability Companies Act and the Securities Markets Act. Bonum Bank’s operations comply with the governance principles described in this statement and the amalgamation’s internal guidelines.

Bonum Bank is a member credit institution of the amalgamation of POP Banks. Bonum Bank is a wholly owned subsidiary of POP Bank Centre coop (“POP Bank Centre”), the central institution of the

amalgamation. Bonum Bank serves as the central credit institution of the cooperative banks belonging to the amalgamation.

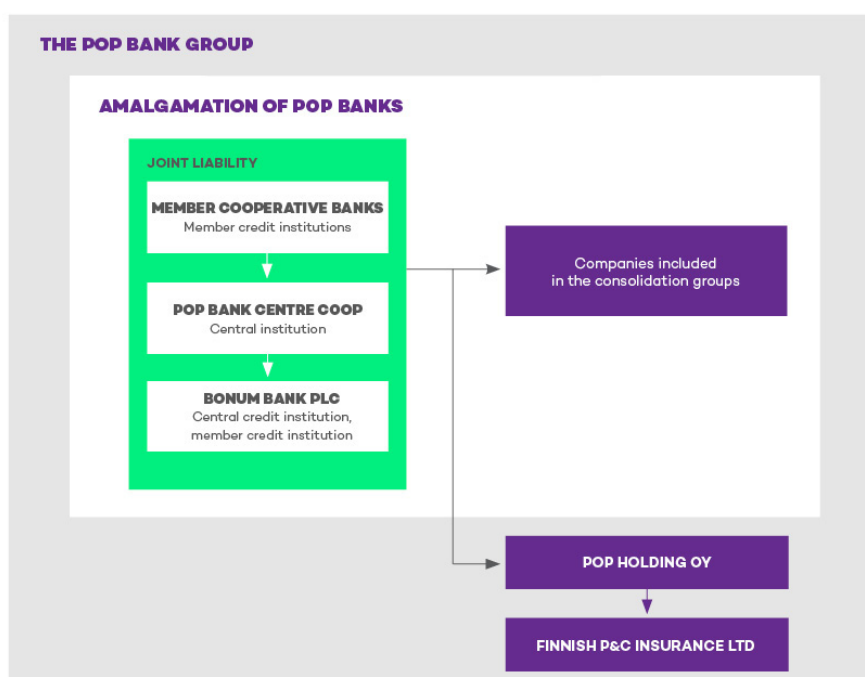
The POP Bank Centre, which is the central institution of the amalgamation, supervises the member credit institutions in line with the Act on the Amalgamation of Deposit Banks (“Amalgamation Act”). The Board of Directors of the POP Bank Centre confirms the description of the governance system. The description is updated as necessary in accordance with changes in regulations or official requirements.

2. GROUP STRUCTURE

2.1 POP BANK GROUP

The POP Bank Group consists of the amalgamation of POP Banks and entities in which the members of the amalgamation exercise control together as referred to in the Accounting Act. Entities in the POP Bank Group that are not part of the amalgamation are entities other than credit and financial institutions or service companies. The most significant entities not belonging to the amalgamation are POP Holding Oy and Finnish P&C Insurance Ltd. 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 below:

POP BANK GROUP STRUCTURE



2.2 AMALGAMATION OF POP BANKS

The amalgamation of POP Banks is an amalgamation of deposit banks in accordance with the Amalgamation Act. The amalgamation of POP Banks consists of the following: the POP Bank Centre, which is the central institution of the amalgamation; the companies belonging to its consolidation group; member credit institutions of the central institution; the companies belonging to their consolidation groups; and credit institutions, financial institutions and service companies in which the entities mentioned above together hold more than 50% of the voting rights. Bonum Bank is a member credit institution of the amalgamation of POP Banks.

In the amalgamation of deposit banks:

- The central institution supervises and monitors its member credit institutions in accordance with the Amalgamation Act.
- The minimum capital requirement and liquidity of the companies belonging to the amalgamation are monitored in a consolidated manner at the level of the amalgamation in accordance with the Amalgamation Act.
- The central institution is responsible for its member credit institutions' liabilities, and the member credit institutions have an obligation to participate in the support measures necessary to prevent the liquidation of an individual member credit institution, and in the payment of debt repaid by the central institution on behalf of an individual member credit institution in accordance with the Amalgamation Act.

The central institution of the amalgamation prepares the amalgamation's consolidated financial statements in accordance with section 9 of the Amalgamation Act.

In line with the Amalgamation Act, the central institution has the following obligations: monitoring the operations of the member credit institutions; providing the member credit institutions with guidelines on risk management, reliable governance and internal control to secure their liquidity and capital adequacy; and providing them with guidelines on compliance with consistent ac-

counting principles in the preparation of the amalgamation's consolidated financial statements. In addition, the central credit institution has the right to confirm general operating principles for the member credit institutions to follow in operations that are significant for the amalgamation.

At the cooperative meeting of the central institution, the member banks of the POP Bank Centre decide on the POP Bank Group's strategy, which sets goals and priorities for operations. The POP Bank Centre supervises the member credit institutions in line with the confirmed strategy.

As a subsidiary of the POP Bank Centre, Bonum Bank does not have the right to vote at the cooperative meeting of the POP Bank Centre.

3. BONUM BANK'S GOVERNING BODIES

3.1 GENERAL MEETING

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

The general meeting decides on the adoption of the financial statements and the election and dismissal of the Board members and the auditor, as well as their fees, for example. The Board of Directors convenes a general meeting.

The Annual General Meeting (AGM) must be held within six (6) months of the end of the financial period.

The notice of an AGM is submitted to the shareholders in a verifiable manner in writing no earlier than four (4) weeks and no later than one (1) week before the meeting.

The following decisions must be made at an AGM:

1. The adoption of the financial statements
2. Any measures that are necessary based on the profit or loss in accordance with the confirmed balance sheet or consolidated balance sheet

3. Discharge from liability of the Board members and the CEO
4. The number and fees of the members of the Board of Directors
5. The auditor's fees
6. The election of the Board members
7. The election of the auditor
8. The processing of other matters mentioned in the notice of the meeting.

3.2 BOARD OF DIRECTORS

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

Bonum Bank's Board of Directors consists of four (4) to eight (8) members. The Board has no deputy 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 the POP Bank Centre, which is the parent entity. The Board elects a Chair and Vice Chair from among its members.

Members of the Board 2021:

Pekka Lemettinen (Chair), until 31 December 2021
CEO

Hanna Linna (Vice Chair)
CEO

Ilkka Lähteenmäki
Adjunct Professor

Kirsi Salo
CEO

3.2.1 DIVERSITY OF BOARD DIRECTORS

In terms of its duties, the Board must have sufficient and diverse expertise and experience in the bank's business operations and the related risks. The diversity of the Board aims for an optimal ability to develop and manage the bank's efficiency, competitiveness and risk management.

The competence of proposed Board members is assessed in line with predetermined and neutral selection criteria. When planning the composition of the Board, it must be ensured that the necessary expertise is represented at any given time.

Equal gender representation on the Board is an important dimension of diversity. The Board has approved the goal of equal gender representation and has prepared operating principles to achieve and maintain equal representation.

The members of the Board must have the capacity to take care of their duties successfully, as well as enough time for their duties. The bank's Board of Directors has determined a limit for Board memberships in other companies.

In terms of its duties, the Board must have sufficient and diverse expertise and experience in the bank's business operations and the related risks. The bank sees the diversity of the Board as a key factor benefiting the bank's efficiency, competitiveness and risk management, as well as highly competent Board work.

The diversity of the Board is maintained and promoted actively in the bank. When planning the composition of the Board, it must be ensured that the necessary expertise is represented at any given time. The aspects considered when assessing diversity include age, gender, professional background and educational background, for example.

Equal gender representation on the Board is an important dimension of diversity that is maintained and promoted. The goal is equal gender representation on the Board of Directors. As a rule, a candidate representing the underrepresented gender must be selected if they are equally com-

petent and, based on an objective assessment, a representative of the other gender is not more suitable for the task.

The suitability of potential Board members is assessed in line with predetermined and neutral selection criteria, considering the suitability of an individual candidate, as well as considering the whole, using the management's collective suitability assessment matrix as the basis for evaluation, and paying special attention to any gaps in experience and competence. The experience and competence requirements described in the assessment matrix must be examined for the candidates carefully and in good time so that the information is available when the selection decision is made. When planning the composition of the Board, it must be ensured that the necessary expertise and qualifications are represented at any given time. The members of the Board must have the capacity to take care of their duties successfully, as well as enough time for their duties. However, the Bank must not recruit members of management only because of increased diversity if this would weaken the collective functioning and suitability of the management or reduce the suitability of individual members of management for their duties.

3.2.2 INDEPENDENCE

Bonum Bank's Board of Directors assesses the independence of its members. In 2020, the Board had one member who was independent of major shareholders.

3.2.3 DUTIES OF THE BOARD OF DIRECTORS

The Board is responsible for the bank's governance and the appropriate organisation of its operations (general authority). The Board ensures that the bank complies with the strategy confirmed for the amalgamation of POP banks, the binding guidelines and general principles of the amalgamation and other jointly agreed guidelines and requirements. The Board guides and monitors the bank's operational management, approves the bank's goals and risk management principles and ensures the functionality of the management system.

The Board is responsible for selecting the CEO and confirming their contract, as well as dismiss-

ing them if necessary, and for appointing the Deputy CEO and monitoring the CEO's management of the bank.

The Board is responsible for the appropriate organisation of reliable governance, capital adequacy management and risk management, as well as their internal control, and for ensuring sufficient resources. The Board seeks to take care of its responsibilities by means of the operating methods it has determined, guidelines concerning organisation, the definition of responsibilities and continuous monitoring.

The Board must manage the bank in a professional manner and in accordance with sound and prudent business principles. In its operations, the bank must not be exposed to high risks that threaten its capital adequacy or liquidity. The Board must operate in accordance with the law, the regulations issued by the Financial Supervisory Authority and the guidelines provided by the amalgamation. The Board of Directors has general authority.

To ensure the effectiveness of its work, the Board assesses its operations and ways of working annually.

3.2.1 PRACTICES AND RULES OF PROCEDURE CONCERNING

The Chair and Vice Chair of the Board are elected annually in the organisational meeting, which is its first meeting after the election of the Board members at the Annual General Meeting.

The Board is convened by the Chair, or the Vice Chair if the Chair is prevented from convening a meeting. The Chair is responsible for ensuring that the Board meets when necessary. 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, unless a qualified majority is required in ac-

cordance with the Articles of Association. If the votes are evenly split, the Chair has the decisive vote. If the votes are evenly split in the election of the Chair, the election will be decided by lot unless otherwise determined in connection with the election of the Board or otherwise provided for in the Articles of Association.

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.

3.2.2 NOMINATION COMMITTEE OF THE BOARD

The Board of Directors of the POP Bank Centre, the parent company, serves as the bank's Nomination Committee.

3.2.3 BOARD MEETINGS AND ATTENDANCE IN 2021

The Board of Directors had 31 meetings in 2021. The members attended the meetings as follows:

Pekka Lemettinen	30/31
Hanna Linna	31/31
Kirsi Salo	31/31
Ilkka Lähteenmäki	31/31

3.3 CEO OF BONUM BANK

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 has the right to represent the bank in matters that fall within their duties in accordance

with the law, the Articles of Association and these guidelines. The CEO may take measures that are unusual or far-reaching in terms of the scope and quality of the bank's operations only if they have been authorised to do so by the Board of Directors or if it is not possible to wait for the Board's decision without causing material harm to the bank's operations. In the latter case, the Board must be informed about the measures as soon as possible.

Taking into account the guidelines provided by the Board, exercising appropriate care and ensuring sufficient reporting, the CEO has the right to delegate their responsibilities to the directors of the business areas and individual employees to the extent required for the efficient management of day-to-day operations. The CEO cannot serve as a member of the Board of Directors of Bonum Bank. 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.

Pia Ali-Tolppa served as the CEO of Bonum Bank in 2020. Timo Hulkko served as Deputy CEO.

3.4 EXECUTIVE BOARD

Bonum Bank's Board of Directors appoints the Bank's Executive Board, which is responsible for the operational management of the Bank. In 2021, CEO Pia Alitolppa chaired the Executive Board.

Members of the Executive Board 2021:

Pia Ali-Tolppa (Chair)

CEO

Timo Hulkko

Head of Treasury, Deputy CEO

Petri Herala

Director of Service Center

Anne Korte

Head of Retail Banking

Matias Niinistö

CFO

Lassi Vepsäläinen

Development Director

Teemu Hovi (until 18 November 2021)

Chief Legal Officer

In addition, **Tommi Kemilä**, Risk Management Manager, participates in the meetings of the Executive Board.

3.3 ASSESSMENT OF SUITABILITY AND PROFESSIONAL SKILLS

The members of the bank's Board of Directors and the members of its operational management must 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.

The reliability, suitability and professional skills of the Board members, the CEO and the Deputy CEO are evaluated by conducting Fit & Proper assessments. Such assessments are also made of all members of the Executive Board and the person in charge of the compliance function.

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 if three years have passed since the most recent assessment. In addition, assessments are made if a person's reliability, suitability or professional skills are called into question.

The Board of Directors of Bonum Bank has confirmed guidelines on assessing reliability, suitability or professional skills.

4. CORPORATE STEERING

Within the POP Bank Centre Group, the governing bodies of the POP Bank Centre (parent company) and Bonum Bank (subsidiary) carry out their duties in accordance with the law, official regulations, rules and the Articles of Association.

Bonum Bank (subsidiary) carry out their duties in accordance with the law, official regulations, rules and the Articles of Association. The Board of Directors of the POP Bank Centre monitors the policies regularly, and updates them if necessary.

In its decision-making, Bonum Bank takes into account the policies issued by the parent company, which may concern the goals of the company's operations and its level of risk-taking, as well as its brand and partnerships, for example.

Bonum Bank needs the approval of the Board of the POP Bank Centre for the following decisions:

- 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 Board of Bonum Bank must consult the Board of the POP Bank Centre.

The CEO of the POP Bank Centre must ensure that Bonum Bank is informed about all decisions made by the POP Bank Centre that affect Bonum Bank's operations.

5. INTERNAL CONTROL

The management of operations is based on the organisation of effective and reliable internal control. Internal control covers financial and other control. The purpose of internal control is to ensure that Bonum Bank, in a systematic and effective manner, works towards the goals and implements the procedures confirmed by senior management. Internal control aims to ensure that the organisation complies with regulations and manages risks comprehensively, and that its operations are efficient and reliable.

Internal control is implemented at all levels of the organisation. Internal control is implemented by the Board of Directors, the CEO and other man-

agement and personnel, as well as the risk management and compliance functions independently of business operations.

As part of internal control, the amalgamation has implemented a whistle-blowing mechanism that enables the bank's employees to report, internally through an independent channel, suspected violations of rules and regulations concerning the financial market in the central institution or a member credit institution.

Bonum Bank's Board of Directors has confirmed guidelines on the organisation of internal control.

6. RISK AND CAPITAL ADEQUACY MANAGEMENT

Bonum Bank's risk management and capital adequacy management are an integral part of the bank's day-to-day operational management and internal control.

Bonum Bank comprehensively identifies and assesses the risks related to its operations and adjusts its risk-bearing capacity to the total amount of risks. Guidelines and decision-making concerning risks comply with sound and prudent business practices. Violations of the risk management principles are addressed in accordance with agreed procedures.

6.1 GOALS OF RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT

The goal of Bonum Bank's risk management is to ensure that all significant risks arising from its business operations are identified, assessed and measured, that the risks are monitored regularly and that the risks are proportional to the bank's risk-bearing capacity. The purpose of risk management is to 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.

Capital adequacy management at Bonum Bank seeks to ensure a sufficient level and quality of

capital and its efficient use. A sufficient level of capital covers the material risks arising from the implementation of the bank's business plan and secures the uninterrupted operation of the bank in the case of unexpected losses.

6.2 MAIN FEATURES OF THE RISK MANAGEMENT PROCESS

Capital adequacy management at Bonum Bank is based on the capital adequacy management principles confirmed by the Supervisory Board of the central institution of the amalgamation, and on the capital planning methods confirmed by the Board of Directors of the central institution for all member credit institutions. Bonum Bank's Board of Directors has confirmed a systematic capital adequacy management process and a liquidity assessment process for the bank. These processes are closely linked to the business planning of the entire amalgamation and the other member credit institutions.

To ensure its capital adequacy, the bank sets risk-based capital targets and prepares a capital plan to meet the targets. Calculation methods determined by the risk management function of the central institution are used in the preparation of capital plans. In its risk strategy, the bank determines limits for material risk levels, which are monitored in accordance with the principles of internal control independently of the business operations.

6.3 RISK MANAGEMENT RESPONSIBILITIES

Bonum Bank's Board of Directors confirms business goals, guidelines and limits for the risk levels of business operations, as well as risk-taking authorisations, in accordance with the binding guidelines issued by the central institution. The Board confirms the bank's risk strategy, which determines the risk appetite in business operations and sets risk limits. The Board of Directors is responsible for proactive capital planning and the integration of capital adequacy management and proactive capital planning into reliable governance and other guidance. The Board assesses the relevance, scope and reliability of capital adequacy management. The Board sets a target level for maintaining capital adequacy and confirms the capital level and structure required by the risk profile.

The operational management is responsible for risk management in day-to-day business operations within the framework of risk limits and risk-taking authorisations. The operational management is responsible for the practical implementation of capital adequacy management and risk management, and for continuous monitoring and supervision, as well as reporting to the Board of the amalgamation. The operational management also ensures that the responsibilities, authorisations, processes and reporting relationships related to capital adequacy management are clearly defined and described in sufficient detail, and that employees are familiar with capital adequacy management as a whole and the related processes and methods to the extent necessary for their work.

6.4 BONUM BANK'S RISK CONTROL

Bonum Bank's independent risk control function monitors the risk limits and capital adequacy of its business operations, and reports to the Board of Directors and the independent risk control function of the central institution. Bonum Bank's risk control function is responsible for forming a comprehensive view of the risks involved in the amalgamation's central credit institution services for the member credit institutions and its other business operations, and for providing its Board of Directors with up-to-date information about these. The risk control function develops risk management methods and procedures for identifying, measuring and controlling risks in accordance with the principles issued by the central institution.

6.5 INDEPENDENT RISK CONTROL FUNCTION OF THE CENTRAL INSTITUTION

The risk management implemented by the central institution is based on the Amalgamation Act and the rules of the central institution. The Board of Directors of the central institution confirms the principles of risk management and capital adequacy management for all member credit institutions and companies within its consolidation group.

The central institution of the amalgamation provides the member credit institutions with binding guidelines on risk and capital adequacy management, reliable governance and internal control to secure their liquidity and capital adequacy. In ad-

dition, the member credit institutions are provided with shared business control limits to ensure that the risks taken by individual member credit institutions are within acceptable limits.

The Board of Directors of the central institution regularly confirms and updates the guidelines on capital adequacy management. The guidelines describe the principles of capital adequacy management within the amalgamation.

As the central institution of the amalgamation, the POP Bank Centre monitors the adequacy and functionality of risk management systems in the member credit institutions in accordance with section 17 of the Amalgamation Act. The following functions, which are independent of business operations, have been established within the central institution of the amalgamation to ensure effective and comprehensive internal control for all member credit institutions of the amalgamation:

- Independent risk control function
- Compliance function
- Internal audit function

The central institution's independent risk control function monitors compliance with the amalgamation's control limits and develops risk management methods and procedures related to identifying, measuring and monitoring risks.

7. COMPLIANCE

POP Bank Group's member banks' compliance function has been centralized to the POP Bank Centre coop. The purpose of the bank's compliance function is 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. The compliance function prepares an annual action plan that is reviewed by the bank's Board of Directors.

The compliance function aims to 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.

Bonus Bank's operations are based on the trust of customers and markets. Careful compliance with current laws, official guidelines and regulations and market self-regulation contributes to maintaining this trust.

The bank's Board of Directors and operational management are responsible for ensuring regulatory compliance. The compliance function assists the Board, operational management and other functions in managing the risk related to non-compliance through proactive guidance and the monitoring of compliance with regulations, agreements and procedures. The compliance function reports regularly on its operations and observations to Bonum Bank's Board of Directors and operational management.

Bonum Bank's Board has confirmed operating principles for the compliance function.

8. INTERNAL AUDIT

Internal audit involves independent, objective assessment and verification operations. The purpose of the operations is to support the Supervisory Board of the central institution, the Boards of Directors of Bonum Bank and the central institution and the operational management in achieving goals by providing a systematic approach to the assessment and development of the effectiveness of the organisation's supervisory, management and governance processes and risk management.

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

Audit observations concerning Bonum Bank are reported to the bank's Board of Directors and CEO. The internal audit function also reports regularly on its operations and observations to the Super-

visory Board, Board of Directors and CEO of the central institution.

Bonum Bank's Board of Directors has confirmed operating principles for internal audit.

In its operations, the internal audit function complies with generally accepted international professional standards and ethical principles of internal audit.

9. AUDIT OF THE ACCOUNTS

Bonum Bank has one auditor, which must be a firm of authorised public accountants. The auditor is elected by the Annual General Meeting. The auditor's term of office is a calendar year.

KPMG Oy Ab served as the company's auditor in 2021, with Tiia Kataja, Authorised Public Accountant, as the principal auditor.

In 2021, the auditor was paid a total of EUR 26,722.30 in fees related to auditing. A total of EUR 6,820.00 was paid to the auditors for services not related to auditing.

10. INSIDER ADMINISTRATION

As the issuer of a listed bond, Bonum Bank has guidelines 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. The Board of Directors has confirmed the guidelines.

Insider and trading guidelines are based on the Market Abuse Regulation, securities market legislation and regulations issued by the Financial Supervisory Authority, for example.

11. RELATED PARTY DISCLOSURE

Bonum Bank complies regulation concerning related party transactions. The bank maintains a list

of related parties and organisations and the credit decisions made. The Board of Directors of the bank makes decisions and amendments concerning loans and other similar financing and approves the general terms and conditions applicable to related party lending.

12. REMUNERATION

The Board of Directors of Bonum Bank is responsible for matters related to remuneration. Bonum Bank does not have a remuneration committee appointed by the Board to manage its remuneration scheme. It has not been deemed necessary to establish a remuneration committee, considering the quality, scope and diversity of the bank's operations. Bonum Bank's Board of Directors monitors compliance with the remuneration scheme and assesses its functionality annually.

The remuneration scheme must be in line with the bank's business strategy, goals, values and long-term interests. It must also be consistent with and promote the bank's sound and effective risk management and risk-bearing capacity.

At Bonum Bank, variable bonuses paid to an individual are not allowed to exceed EUR 50,000 over a one-year earnings period. The bank may decide not to pay any variable bonuses in full or in part if its financial position has become weaker to such an extent that, based on the Board's estimate, the payment of performance bonuses would be unreasonable, considering the bank's situation.

Severance pay or other compensation may be paid if an employment relationship ends prematurely. In such a case, the principles mentioned above are taken into account, and the grounds for payment are determined so that poor performance is not rewarded. The Board of Directors decides on the payment of compensation.

In the bank's remuneration scheme, variable bonuses may not exceed 50% of the fixed annual salary.

The remuneration of employees working in a supervisory function is not dependent on the result of the business operation that they monitor.

The following principles apply to variable fees paid by the bank:

1. The payment criteria for variable bonuses will be determined and communicated to the recipients in advance. The Board may also reward employees for exceptional performance without such predetermined grounds with a bonus equalling no more than one month's salary.
2. The bonus must be based on an overall assessment of the performance of the recipient and the related function. Their performance must be evaluated over the long term.
3. When determining the bonus amounts, the risks known at the time of the assessment must be taken into account, as well as future risks, capital costs and the necessary solvency.
4. The right to a variable bonus may be established and the bonus may be paid to the recipient only if they have not violated the regulations and instructions concerning the credit institution or the operating principles determined by the credit institution, and if they have not contributed to such conduct by act or omission. It must also be possible to refrain from paying a variable bonus or claim back the bonus if the credit institution learns about such conduct after the bonus has been determined or paid.
5. The bank may agree to pay bonuses unconditionally (no possibility of recovery after payment) only for particularly weighty reasons and provided that the bonus is only related to the recipient's first year of service.

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

13. CORPORATE SOCIAL RESPONSIBILITY

The POP Bank Group's financial statements also provide information about the Group's corporate social responsibility. At Bonum Bank, corporate social responsibility refers to the bank's responsibility for the impacts of its business operations on the surrounding society and stakeholders. By serving as the central credit institution for the POP Banks, Bonum Bank supports the corporate social responsibility of the local POP Banks.

