

26.4.2024

RULES OF PROCEDURE OF THE REMUNERATION COMMITTEE

Background

In order to organise its work as efficiently as possible, and as required by the Act on Credit Institutions the Board of Directors (“Board”) of Municipality Finance Plc (“MuniFin”) has established a Remuneration Committee (“Committee”) for assistance and for the preparation of matters.

Composition of the Committee

The following principles apply to the composition of the Committee:

- The Board of MuniFin appoints the members and the Chair of the Committee annually from among themselves.
- The Committee comprises no fewer than three members.
- The Committee shall not be composed of the same group of members that forms another committee.
- Majority of members of the Committee shall be independent.
- Chair of the Committee should be an independent member.
- The Committee shall collectively have appropriate knowledge, expertise and professional experience concerning the remuneration policies and practices, risk management and control activities, namely with regard to the mechanism for aligning the remuneration structure to MuniFin’s risk and capital profiles.

The term of the Committee members lasts until the closing of the Annual General Meeting following an election, unless the Board needs to change the composition of the Committee in the middle of a term due to, for example, a resignation of a Board member.

Duties of the Committee

The purpose of the Committee is to assist the Board in the preparation of matters relating to remuneration, including remuneration of employees of MuniFin’s subsidiary company (or companies), as MuniFin’s Remuneration Policy governs the entire group.

In order to fulfil the aforementioned purpose, the Committee has the following duties, which include making recommendations and action proposals for the Board, when necessary.

General duties

- Oversees employee remuneration as a whole, taking into account gender neutrality and equality matters in general, and coordinates the remuneration process with the assistance of internal control and support functions (e.g., risk management, HR, compliance, internal audit).
- Oversees and evaluates the efficiency of the Company's remuneration framework on an annual basis.
- Prepares the development of the Company's remuneration framework and makes proposals for changes when deemed necessary.
- Prepares decisions on remuneration to be taken by the Board.
- Prepares decisions related to appointments and remuneration, of the CEO, Deputy to the CEO, and members of the EMT and, and other Employees who report directly to the CEO.
- Supports the Board in setting and assessing MuniFin's HR principles to ensure compliance with good HR management practices, equality and inventiveness of MuniFin's remuneration practices.

Remuneration Policy

- Provides support and advice, taking into account gender neutrality and equality in general, to the Board on the design and development (including annual assessment of amendment needs) of the MuniFin's Remuneration Policy.
- Supports the Board annually in overseeing the Remuneration Policy, practices and processes and the compliance with the Remuneration Policy.
- Assesses the mechanisms and systems adopted to ensure that the Remuneration Framework properly takes into account all types of risks, liquidity and capital levels and that overall Remuneration Policy is consistent with and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values, risk culture, and the long-term interest of the Institution.
- Cooperation with the Risk Committee in preparations of sound remuneration system as described in the Remuneration Policy.
- Reviews annual identification of risk takers as instructed by the Remuneration Policy.
- Ensures that Remuneration Policy and related practices of MuniFin are subject to internal audit review at least annually.

Performance targets and performance assessment

- Prepares a proposal on setting and achievement of company level performance targets. Performance target setting shall be aligned with MuniFin's business model, risk appetite (covering all material risk types, including ESG risks) and promote sustainable business operations.

- Prepares and reviews a proposal on setting and achievement of individual performance targets of the CEO, deputy to the CEO and EMT members.
- Prepares a proposal on ex-post risk adjustment, including the application of malus arrangements.

Recruitment and remuneration

- Prepares and assesses the recruitment of, and remuneration (fixed and variable and any changes to these), including terms of a manager contract, paid to the executive management and other positions as defined by the Corporate Governance Policy (see Appendix 1) and the Remuneration Policy.
- Supervises and reviews variable remuneration to be paid for individuals reporting to the CEO (if not members of the EMT), head of compliance and identified risk takers and summary information of variable remuneration for all employees.

Other duties

- Discusses results of employee satisfaction surveys as needed.
- Successor planning, especially CEO and members of the EMT.
- Oversees organizational development, when necessary.
- Appoints external consultants supporting the Committee's work related to remuneration and other areas of the Committee's work (e.g., external legal support, head-hunters, remuneration consultants), unless the cost of consultancy is deemed to be material and requiring Board approval based on the proposal by the Remuneration Committee.
- And other duties as appointed by the Board, case by case.

The above is not a fully comprehensive list of the duties of the Committee. The above list of duties covers also MuniFin's subsidiary company Inspira. The Committee shall take care of these duties in relation to Inspira, when applicable. The Committee may also deal with other matters or tasks, if deemed necessary, relating to the company's remuneration systems.

Process and reporting lines

The Committee:

- Has access to all data and information concerning the decision-making process on the supervisory function on the Remuneration policy, practices design and implementation.
- Has unfettered access to all information data from independent control functions, including risk management.
- Should ensure the proper involvement and co-operation by independent control and support functions and other relevant functions (e.g.,

- HR, legal, compliance, risk, finance, internal audit) within the respective areas of (as described in the Remuneration Policy) and
- Shall, where necessary, seek external advice.

When matters concerning remuneration are prepared, it must always be ensured that the remuneration systems do not lead to unwanted operating policies or uncontrolled risk-taking.

Convening meetings

The Committee convenes, at the summons of the Chair of the Committee, as often as the company's business requires. As a general rule, the date and place and preliminary agenda of the next Committee meetings should be agreed upon, at least until the next General Meeting following an election. The goal is that all Committee members are present at the meetings. The number of Committee meetings held during the financial period and the average participation rate are reported in the annual Corporate Governance Statement.

As a general rule, the notice of a Committee meeting and necessary preparatory material shall be delivered, by uploading it to the meeting portal of the Committee, to all the members, one week before the meeting, to ensure the best possible opportunity for the Committee members to familiarise themselves with the material prior the meeting.

Committee meetings are held at the company's premises in Helsinki, or at another location specified by the Committee. Meetings can also be arranged as remote meetings by using necessary online tools or by using other means of communication (e.g., email).

The meeting invitation always includes the agenda for the meeting. In addition to the agenda, Committee members are sent proposals for decisions, essential appendices concerning matters on the agenda, and any other material intended for the Committee. Every Committee member has the right to propose matters to be included on the agenda and dealt with during the meeting. In addition to the Committee members, the Board, the Chair of the Board, the CEO have a right to propose matters to be included on the agenda.

The members of the Committee may always ask for more information directly from the executive management, especially from the executive management representative responsible for personnel matters, who will inform the CEO, if necessary. Additionally, the secretary of the Committee is always a contact point for members to ask further information or material.

Right of presence, right to speak, and minutes

Meetings of the Committee are in general attended by the executive management representative responsible for personnel matters, unless the Committee decides otherwise with regard to an individual matter. Representatives of the management are never present during discussions and decision-making concerning remuneration of themselves. The secretary of the Committee, who is responsible for taking minutes, is also present at the meetings. The Committee may invite executive management and other experts to attend meetings and grant them the right to speak. The Committee may also convene any time without the presence of the executive management, if deemed necessary.

The secretary of the Committee is a person designated for this duty by the Chair.

Minutes shall be taken at meetings and signed by the Chair of the meeting, at least one Committee member, and the secretary of the meeting. Material used as the basis for decision-making shall be attached to the minutes as an appendix.

Minutes shall be given consecutive numbers during the calendar year. Minutes must include the date and place of the meeting, a list of those present at the meeting, and a record of the decisions and material remarks made by the Committee at the meeting. Minutes and their appendices shall be reliably stored throughout the existence of the company.

The Committee regularly reports its operations to the Board by, for instance, submitting its minutes to the Board. Other members of the Board may also attend the meetings of the Committee.