



# Pohjola Bank plc's Corporate Governance Statement 2013

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## 1 Applicable Regulations

This Pohjola Bank plc's (Pohjola) Corporate Governance Statement has been prepared in accordance with Recommendation 54 of the Finnish Corporate Governance Code (2010) and Chapter 7, Section 7 of the Finnish Securities Markets Act, and issued separately from the Report by the Board of Directors.

This Statement also covers some other key governance issues and the related, up-to-date and detailed information required by the Corporate Governance Code is available on Pohjola's website at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance.

At its meeting on 31 January 2013, the Audit Committee of the Company's Board of Directors discussed this Corporate Governance Statement. KPMG Oy Ab, the Company's auditor, has verified that the Statement has been issued and that the description it contains covering the main features of internal control and risk management systems related to the financial reporting process is consistent with the financial statements.

This Corporate Governance Statement is available on Pohjola's website at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance > Corporate Governance Statement (2013). This Statement together with the Financial Statements, Report by the Board of Directors and Auditor's Report are available at [www.pohjola.com](http://www.pohjola.com) > Media > Material Service.

The Articles of Association are available on Pohjola's website at [www.pohjola.com](http://www.pohjola.com) > Corporate Governance > Articles of Association.

In its operations, Pohjola complies with Finnish legislation. In addition to the Finnish Limited Liability Companies Act, Pohjola complies with regulations governing public limited companies, financial services companies and insurance companies, its Articles of Association and the guidelines issued by OP-Pohjola Group Central Cooperative. In its international operations, Pohjola also complies with local legislation when applicable.

Pohjola also complies, with certain exceptions, the Finnish Corporate Governance Code approved by the Securities Market Association in June 2010. Pohjola belongs to the amalgamation of cooperative banks, under applicable laws, and is a subsidiary of OP-Pohjola Group Central Cooperative, the central institution of said amalgamation. Laws, Pohjola's Articles of Association and the shareholder agreement concluded by the Company's major shareholders set

some restrictions on the composition of the Board of Directors. Acting as the central financial institution for OP-Pohjola Group member cooperative banks, the Company is in intense cooperation with OP-Pohjola Group's other entities. For these reasons related to the ownership and Group structure, Pohjola's corporate governance deviated in 2013 from the following recommendations in the Corporate Governance Code, as permitted by the Comply or Explain principle under the Code:

- Recommendations 8 and 10: election and term of Board members

The General Meeting of Shareholders does not elect persons acting as the Board of Directors' Chairman and Vice Chairman; the Board of Directors is chaired by the Chairman of OP-Pohjola Group Central Cooperative's Executive Board and OP-Pohjola Group Central Cooperative's Executive Board Vice Chairman acts as the Board's Vice Chairman, by virtue of applicable laws and Pohjola's Articles of Association; the term of the Chairman and Vice Chairman is valid until further notice.

- Recommendation 14:

The majority of Board members are not independent of the Company; five Board members are executive members dependent on the Company and three are non-executive members independent of the Company.

- Recommendation 26:

Not all of the Audit Committee members are independent of the Company; two Committee members are non-executive members independent of the Company and one is an executive member dependent on the Company.

- Recommendation 32: status of independence of members of the Remuneration Committee

The majority of Remuneration Committee members are not independent of the Company; two Committee members are executive members dependent on the Company and one is a non-executive member independent of the Company.

The Finnish Corporate Governance Code is available on the Securities Market Association's website at [www.cgfinland.fi](http://www.cgfinland.fi) > Recommendations > The Finnish Corporate Governance Code.

## 2 Structure of OP-Pohjola Group and Pohjola Group, and Administrative Bodies

### 2.1 Structure of OP-Pohjola Group

Pohjola Bank plc is a subsidiary and member credit institution of OP-Pohjola Group Central Cooperative that acts as OP-Pohjola Group's central institution. In terms of operations and ownership, it belongs to OP-Pohjola Group which provides banking, insurance and other financial services. OP-Pohjola Group consists of some 180 member cooperative banks and of their central institution, OP-Pohjola Group Central Cooperative, with its subsidiaries. OP-Pohjola Group is supervised as a single entity.

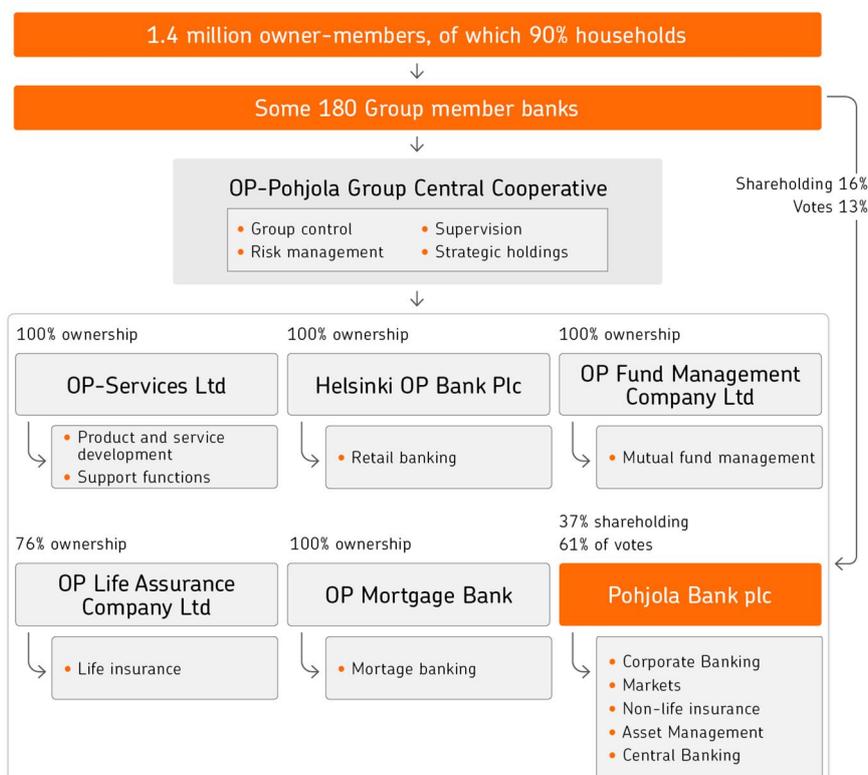
The central institution is obliged to support its member credit institutions and is liable for their debts. The member credit institutions are obliged to participate in any necessary support measures aimed at preventing another member credit institution from going into liquidation. In addition, they are jointly and severally liable for debts of a member credit institution failing to meet its obligations.

Owned by their members, the OP-Pohjola Group member cooperative banks are engaged in retail banking at local level within a specified region. Although their operations are based on OP-Pohjola Group's shared strategy and policies, they are independent with respect to decision-making. OP-Pohjola Group Central Cooperative acts as the central institution and strategic owner institution of OP-Pohjola Group.

Changes in OP-Pohjola Group structure in 2013:

- In 2013, the number of OP-Pohjola Group member cooperative banks decreased from 196 to 183 as a result of mergers with one another.
- OP IT Procurement Ltd merged with OP-Services Ltd on 31 October 2013.
- OP-Kotipankki Oyj's name changed on 31 December 2013 to OP-Korttiyhtiö Oyj (OP Card Company Plc).

### Structure of OP-Pohjola Group on 31 December 2013



## 2.2 Structure of Pohjola Group

Pohjola Group comprises Pohjola Bank plc, the parent company, and its subsidiaries. The major subsidiaries are Pohjola Insurance Ltd, A-Insurance Ltd, Eurooppalainen Insurance Company Ltd, Omasairaala Oy, Pohjola Asset Management Ltd and Pohjola Property Management Ltd. Pohjola also has branch offices engaged in banking, and subsidiaries running finance-company business in Estonia, Latvia and Lithuania, and Seesam Insurance AS, which runs non-life insurance business in Estonia, Latvia and Lithuania.

Changes in Pohjola Group structure in 2013:

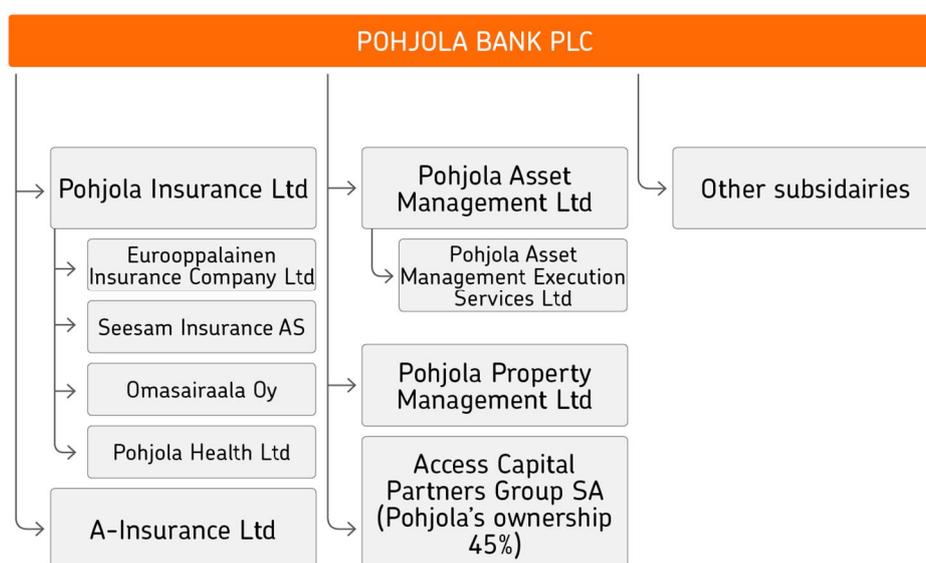
- Pohjola Insurance Ltd's fully owned hospital, Omasairaala Oy, started business at the beginning of 2013.
- Pohjola Bank plc's services in the Baltic countries expanded to Lithuania, with a branch office opened in Vilnius.

- Pohjola reshaped its capital market functions by combining functions specialising in debt and equity financing. As part of this change, Pohjola Corporate Finance Ltd merged with Pohjola Bank plc on 31 December 2013.

## 2.3 Administrative bodies

A General Meeting of Shareholders exercises the highest decision-making powers and elects the Board of Directors (except for the Chairman and Vice Chairman) and auditors. The Board of Directors is in charge of the Company's strategic management. The Board of Directors is assisted by its committees (Audit Committee, Risk Management Committee and Remuneration Committee). Responsibility for operational management rests with the President and CEO, appointed by the Board of Directors, supported by the Group's Executive Committee.

### Structure of Pohjola Group on 31 December 2013



### 3 General Meeting of Shareholders

A General Meeting of Shareholders is Pohjola's highest decision-making body. The Annual General Meeting (AGM) must be held within six months of the date of the termination of the financial year. The AGM shall discuss matters assigned to it in accordance with the Articles of Association and any other proposals referred to in the notice of the meeting.

An Extraordinary General Meeting (EGM) is convened, if necessary, to deal with a specific proposal made to the Meeting. An EGM must be held if shareholders with a minimum total holding of 10% in Company shares require in writing that the Meeting be held for the purpose of discussing a certain issue.

The most significant items on the AGM's agenda include:

- Adopting the Financial Statements
- Deciding on profit distribution
- Deciding on discharge from liability of Board members and the President and CEO
- Deciding on the number of members of the Board of Directors, electing Board members and deciding on their emoluments
- Electing the auditor or auditors and deciding on their remuneration;
- Altering the Articles of Association; and
- Deciding on a share issue or authorising the Board of Directors to launch one.

#### 3.1 **Notice of General Meeting of Shareholders**

Notice of a General Meeting of Shareholders will be published on the Company's website no earlier than two (2) months and no later than three (3) weeks prior to the Meeting. The notice lists items on the Meeting's agenda and the criteria specifying a shareholder's right to attend the Meeting in person or by proxy. The notice of the General Meeting and the Board of Directors' and shareholders' proposals to the Meeting will be published as a stock exchange release. In addition, an announcement of the Meeting will appear in one or more newspapers determined by the Board of Directors.

In addition, the notice, proposals by the Board of Directors or a shareholder and documents (such as the Financial Statements, the Report by the Board of Directors and the Auditors' Report) presented at the Meeting will be available to shareholders at least three weeks before the Meeting on the Company's website at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance > General Meeting of Shareholders.

#### 3.2 **Registration and attendance**

General Meetings are open to all shareholders registered in the Company's Shareholder Register,

maintained by Euroclear Finland Ltd, eight weekdays prior to the Meeting (record date for the Meeting). In addition, holders of nominee-registered shares may be reported for temporary entry into the Shareholder Register for the purpose of attending the Meeting if, on the basis of the shares held, they have the right to be entered into the Shareholder Register on the record date for the Meeting.

A shareholder has the right to have a matter within the remit of a General Meeting, under the Finnish Limited Liability Companies Act, to be discussed by the General Meeting if he requests this in writing from the Board of Directors well in advance so that said matter can be incorporated into the notice of the Meeting. Such a request is regarded as having arrived in time if the Board of Directors has been notified of the request no later than four weeks prior to sending the notice of the Meeting. A request pertaining to said matter may be sent to the Company's Investor Relations by email to [ir@pohjola.fi](mailto:ir@pohjola.fi). The Company will annually inform on its website and in a stock exchange release of the date by which such a request must be presented.

A shareholder wishing to exercise his right to attend the Meeting shall register for the Meeting in advance in the manner stated in the notice of the Meeting. The deadline for this registration may be ten days prior to the Meeting at the earliest. Holders of nominee-registered shares are regarded as having registered for the Meeting if they have been duly reported for entry into the Company's Shareholder Register.

A shareholder may attend the Meeting in person or appoint an authorised person to represent him at the Meeting. With respect to holders of nominee-registered shares, a custodian bank, for example, may act as an authorised representative. A shareholder may have several authorised representatives who represent him through shares in different securities accounts. A shareholder's authorised representative must present a power of attorney or prove in an otherwise reliable manner that he is authorised to represent the shareholder. The shareholder or his authorised representative may use one assistant at the Meeting. If a shareholder attends the Meeting by proxy allowing several authorised representatives, he must notify of the shares (their number) on the basis of which each authorised representative represents him.

Each shareholder present at the Meeting has the right to present questions about items on the Meeting's agenda. Such a question may be sent in advance to the Company's Investor Relations by email to [ir@pohjola.fi](mailto:ir@pohjola.fi). A shareholder also has the right to make proposals at the Meeting in matters assigned to the Meeting and appearing on the agenda.

The Company has two series of shares. At a General Meeting, one Series K share entitles its holder to five votes and one Series A share to one vote. Shareholders may vote at the Meeting as permitted by the votes conferred by the shares they hold on the record date for the Meeting. Shareholders may vote in a different way using different shares. The Articles of Association contain no provisions limiting the number of votes.

Decisions made by the General Meeting are usually based on a majority vote, and the Chairman has the casting vote in the case of a tie. However, decisions on several matters under the Limited Liability Companies Act, such as an alteration of the Articles of Association or a decision on a private placement of shares, require a qualified majority represented by shares and the votes conferred by the shares at the Meeting.

Minutes of the General Meeting shall be drawn up, which will be available for shareholders' inspection on the Company's website no later than two weeks of closing of the Meeting. In addition, the Company shall publish decisions by the General Meeting in a stock exchange release without undue delay.

Documents related to AGMs are available on Pohjola's website at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance > General Meeting of Shareholders.

### **3.3 Shareholder agreements**

As per the shareholder agreement of 5 May 2011 between OP-Pohjola Group Central Cooperative and Ilmarinen Mutual Pension Insurance Company (Ilmarinen), OP-Pohjola Group Central Cooperative as Pohjola's shareholder agrees to contribute to electing members to Pohjola's Board of Directors in such a way that one nominee appointed by Ilmarinen will be elected to Pohjola's Board of Directors as long as Ilmarinen's shareholding in Pohjola substantially corresponds to that effective on 5 May 2011 (10% of all shares).

The Company is not aware of other agreements related to ownership of its shares and exercise of voting rights.

### **3.4 Restriction on the right of disposal, and redemption clause**

In accordance with the Articles of Association, holding of Series K shares is restricted only to Finnish cooperative banks, cooperative bank companies and OP-Pohjola Group Central Cooperative, and Series K shares may not be transferred to institutions other than those entitled to holding Series K shares. Series A shares are freely transferable.

### **3.5 Annual General Meeting 2013**

Pohjola Bank plc held its Annual General Meeting in the Congress Wing of the Helsinki Exhibition & Convention Centre on 22 March 2013. The number of shareholders present at the Meeting totalled 1,083. The shares represented at the Meeting accounted for 70.0% of all Company shares and the votes for 82.7% of all votes.

The AGM adopted the Financial Statements for 2012, discharged members of the Board of Directors and the President and CEO from liability and decided to distribute a dividend of EUR 0.46 per Series A share and EUR 0.43 per Series K share. The AGM confirmed the number of members of the Board of Directors at eight. Managing Director Marja Partio was elected to the Board of Directors as a new member. She succeeds Managing Director Merja Auvinen, who announced her resignation from Pohjola Bank plc's Board at the end of her term.

Minutes of the AGM 2013 and other documents related to the Meeting are available at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance > General Meeting of Shareholders.

Pohjola did not hold any Extraordinary General Meetings in 2013.

## 4 Board of Directors and Board Committees

### 4.1 Board of Directors

#### 4.1.1 Election of the Board of Directors

According to the Articles of Association, Pohjola's Board of Directors comprises a minimum of five and a maximum of eight members, elected, except for the Chairman and Vice Chairman, by the Annual General Meeting for a term of office expiring upon the closing of the Annual General Meeting following their election. The Chairman of OP-Pohjola Group Central Cooperative's Executive Board chairs the Board of Directors by virtue of Act on Cooperative Banks and Other Credit Institutions in the Form of a Cooperative and the Articles of Association. According to the Articles of Association, the Vice Chairman of OP-Pohjola Group Central Cooperative's Executive Board acts as the Vice Chairman of the Board of Directors. According to an agreement between OP-Pohjola Group Central Cooperative and Ilmarinen on the preconditions stated in the agreement, one of the members of the Board of Directors must be a person nominated by Ilmarinen (see General Meeting of Shareholders > Shareholder agreements above).

In accordance with the Articles of Association, Pohjola has not set any upper age limit for members of the Board of Directors, limited the number of their terms of office or in any other manner restricted decision-making powers of a General Meeting of Shareholders in electing Board members (with the exception of election of the Chairman and Vice Chairman).

Pohjola does not have a nomination committee within its Board of Directors as referred to in the Corporate Governance Code, or any nomination committee set up by a General Meeting and comprising shareholders or their representatives. The parent institution, OP-Pohjola Group Central Cooperative, prepares proposals for candidates for the election of Board members submitted to the General Meeting. These proposals are included in the notice of the Meeting and published in a stock exchange release.

OP-Pohjola Group Central Cooperative's Supervisory Board's Working Committee, consisting of eight members chosen by the Supervisory Board, handles issues concerning the selection and remuneration of Pohjola Bank plc's Board members and auditors. Credit institutions' board members are required to display the kind of reliability and competencies and to fulfil the fit and proper criteria specified in the Act on Credit Institutions and official regulations. The Board provides an annual assessment of the above matters and submits the results to the Financial Supervisory Authority.

#### 4.1.2 Members of the Board of Directors

Information on the members of the Board of Directors and its committees in 2013 can be found in "Board and committee meetings: frequency and attendance in 2013" on page 9 below and Board members' personal data and other relevant information on pages 38-42 below.

#### 4.1.3 Independence of Board members

On 22 March 2013, the Board of Directors assessed the status of independence of its members in relation to the Company and its shareholders, in accordance with the Corporate Governance Code.

Based on this assessment, the following members were executive members dependent on the Company and its major shareholders: Reijo Karhinen, Tony Vepsäläinen and Harri Sailas. Karhinen and Vepsäläinen sit on the Executive Board of OP-Pohjola Group Central Cooperative, Pohjola's parent institution, the former acting as OP-Pohjola Group Central Cooperative's Executive Chairman and CEO and as the Executive Board's Chairman and the latter as OP-Pohjola Group Central Cooperative's Chief Business Development Officer and as the Executive Board's Vice Chairman. Sailas is the President and CEO of Ilmarinen Mutual Pension Insurance Company which is a major shareholder of Pohjola and also has a significant partnership with Pohjola.

Furthermore, the following members were executive members dependent on the Company: Jukka Hultkonen and Marjo Partio. The former acts as Managing Director of Salon Osuuspankki and the latter as Managing Director of Kymenlaakson Osuuspankki. Both Kymenlaakson Osuuspankki and Salon Osuuspankki have a significant customer relationship and partnership with Pohjola.

As concluded by the Board of Directors, Jukka Hienonen, Mirkku Kullberg and Tom von Weymarn are non-executive members independent of the Company and its major shareholders.

The criteria for the assessment of the status of Board member independence did not change in 2013.

#### 4.1.4 Board duties

The Board of Directors is responsible for the Company's administration and appropriate organisation of operations and for the duly organisation of the supervision of accounting and financial management. It deals with far-reaching and important matters in principle from the perspective of the Company's and its consolidated group's operations.

The Board of Directors has confirmed written rules of procedure defining the duties and meeting procedures applying to the Board of Directors.

The Board of Directors and the President and CEO shall manage the Company and its consolidated group professionally following sound and prudent business practices. The Board of Directors is tasked with promoting the interests of the Company and all of its shareholders.

In this respect, the Board of Directors shall, among other things,

- decide on Group strategy and confirm business strategies;
- confirm values to be adhered to with regard to the operations of the Company and its consolidated group;
- approve an annual business plan and supervise its implementation;
- decide on the core organisational structure and management system for the Group and its functions;
- discuss and approve the consolidated financial statements and interim reports;
- determine the Company's dividend policy and present a proposal to the General Meeting for the amount of dividends payable;
- appoint and dismiss the President and CEO and his deputy and decide on their remuneration, benefits and other terms and conditions of their executive contract;
- decide on the appointment of members to the Group Executive Committee and their remuneration, benefits and other terms and conditions of their employment or executive contract;
- confirm the principles and procedures for ensuring the fitness, propriety and expertise/competence of the Company's and its consolidated group's management
- Deciding on the basic principles governing the Company's and its consolidated group's management incentive schemes and employee incentive schemes;
- decide on strategically or financially significant individual investments and any corporate acquisitions, divestments and transactions, and the establishment of Group companies;
- annually adopt the Group's capital adequacy management principles, risk policies, funding plan, capital plan, investment plans and significant operating principles governing risk management;
- assess and supervise the appropriateness, extent and reliability of the Group's capital adequacy management
- decide on principles for ensuring that the Company and its consolidated group operate in

compliance with external regulation and internal instructions (compliance)

- decide on reporting procedures which it uses to monitor the Group's and subsidiaries' business, risk-bearing capacity and risk position;
- decide on principles aimed at ensuring open communication and internal communications;
- confirm the description of internal control and supervise the performance and adequacy of internal control within the Company and its consolidated group;
- confirm the principles of internal audit and an annual action plan; and
- be responsible for any other duties of the Board of Directors as prescribed by the Limited Liability Companies Act or otherwise.

The Board of Directors may set up committees or other permanent or temporary bodies to perform tasks it has assigned. The Board of Directors shall confirm decision-making powers for bodies it has set up and elect their members. The Senior Credit Committee, which reports to the Board's Risk Management Committee, is a permanent decision-making body set up by the Board of Directors. Within the framework of authorisations confirmed by the Board of Directors, the Senior Credit Committee takes decisions on exposure limits, credit limits and exposures concerning customer, bank and country risks, and decides on impairment losses on loans.

In addition, the Board of Directors shall confirm the role description of the Underwriting Executives and appointments. The Underwriting Executives are responsible for the Group's underwriting risk management. The Underwriting Executives report to the Board of Directors of Pohjola Insurance Ltd.

The Board of Directors prepares an annual action plan which contains a meeting schedule for the Board and its committees, the most significant items on each meeting's agenda and required training for Board members. The action plan also includes exceptional events expected within the year in question.

The following principles shall apply to Board meetings:

- Convened by its Chairman, the Board of Directors meets once a month on average.
- The Chairman and the President and CEO assume primary responsibility for the preparation of the meeting.
- The Board of Directors has a quorum when more than half of its members are present.
- Those present at Board meetings comprise Board members and the President and CEO but Board meetings may also be attended by some other person whose presence is necessary due to the matter under discussion.

- Minutes of Board meetings are drawn up, signed by the Chairman, a Board member appointed to check the minutes and the secretary

#### 4.1.5 Responsibilities of the Chairman of the Board and its committees

The Board Chairman is responsible for ensuring that the Board of Directors works efficiently and performs all duties within its remit. As part of this responsibility, the Board Chairman shall ensure that an individual Board member has the experience and skills required to perform his duties in an appropriate manner. The Chairman cooperates with the President and CEO in preparing items on the agenda for Board meetings. He shall also ensure that sufficient time has been allowed for discussion and that each member present at meetings has the opportunity to express his opinion. The Chairman is also responsible for the further development of Board work and ensures the Company's good corporate governance.

The Chairman of each committee shall control and further develop committee work and ensure that committee work is appropriate and efficient.

The Board of Directors and its committees shall annually assess their performance and working methods for the purpose of further developing Board work. This self-appraisal is performed in such a way that Board members fill in a self-appraisal form after which members of the Board and its committees discuss performance and working methods of the Board and committees, and the results of self-appraisal at a Board or committee meeting.

#### 4.1.6 Board work in 2013

The Board of Directors had 15 meetings, with Reijo Karhinen acting as Chairman, Tony Vepsäläinen as Vice Chairman and Merja Auvinen (until 22 March 2013), Jukka Hienonen, Jukka Hulkkonen, Mirkku Kullberg, Marjo Partio (since 22 March 2013), Harri Sailas and Tom von Weymarn as other members. The average attendance rate of its members stood at 100%.

The Board discussed and accepted the update of Pohjola Group's management and decision-making system and changes to the remuneration scheme. The Board also accepted the strategic initiatives of each business line that were made to ensure that the targets set in the strategy will be met. The main duties of the Board also include monitoring of the implementation of outsourced efficiency-enhancement measures and to ensure that the estimated cost savings are achieved.

Major changes are taking place in financial regulation. Some of the changes will have a major impact on Pohjola Group, its operation and the Group's capital adequacy. The Board was following closely in 2013 how the regulatory changes were taking shape and what their effect would be on Pohjola Group.

Some key appointments were prepared and carried out in 2013 concerning the Group's Executive Committee, namely those of the President and CEO and Executive Vice President of Banking.

The calendar below shows the Board's major actions in 2013 in more detail.

#### Board and committee meetings: frequency and attendance in 2013

	Board of Directors 15 meetings*	Audit Committee 6 meetings	Risk Management Committee 5 meetings	Remuneration Committee 10 meetings**
Reijo Karhinen	15/15			10/10
Tony Vepsäläinen	15/15		5/5	10/10
Merja Auvinen	3/3	1/1		
Jukka Hienonen	15/15			10/10
Jukka Hulkkonen	15/15		5/5	
Mirkku Kullberg	15/15	5/6		
Marjo Partio	12/12	5/6		
Harri Sailas	15/15		5/5	
Tom von Weymarn	15/15	6/6		

\* Three of the Board meetings were held by telephone or email.

\*\* One of the Remuneration Committee meetings was held by email.

## Board calendar for 2013

- Q1**
- Discusses and approves the Financial Statements and the Report by the Board of Directors as well as the proposal for profit distribution submitted to the Annual General Meeting
  - Discusses proposals for separate topics to be submitted to the AGM
  - Receives a report on the implementation of the incentive schemes for 2012
  - Discusses and adopts the general principles of the incentive schemes and the criteria for the Group Executive Committee members' remuneration for 2013, and appoints those to be included in the long-term management incentive scheme
  - Discusses the guidelines "Handling Conflicts of Interest in OP-Pohjola Group" and "Principles of Related Party Lending and Investments"
  - Discusses the updates to job descriptions of heads of Non-life Insurance and Asset Management
  - Discusses the realisation of outsourcing related to the efficiency-enhancement programme
  - Discusses the decisions made by the AGM, appoints members to its committees and assesses the independence of its members
- Q2**
- Discusses and approves the Interim Report for Q1/2013
  - Discusses the preparation of strategic projects
  - Discusses and approves the updates to the Group's management and decision-making systems, incl. changes to the timetables of the Board's Audit Committee and Risk Management Committee
  - Discusses and approves the resignation of President and CEO Mikael Silvennoinen
  - Discusses and approves the remuneration of members of the Group Executive Committee for 2012 and the persons included in the management's long-term share-based incentive scheme for 2013 in Pohjola Group, and discusses the Group Executive Committees successor plan
  - Discusses the remuneration summary for 2012 and approves the amount of profit-based bonuses transferred to the personnel fund for 2012
  - Discusses and approves the audit plan for 2013
  - Discusses and makes the decision to expand the operation of Omasairaala Oy to include occupational health care services to OP-Pohjola Group Central Cooperative Consolidated
  - Assesses the implementation of the annual plan and risk policies for 2013
- Q3**
- Discusses and approves the Interim Report for Q2/2013
  - Discusses the choices for a new President and CEO
  - Discusses and approves the Group's strategic projects
  - Discusses the realisation of the efficiency-enhancement programme
  - Has a preliminary discussion on the 2014 annual planning and incentive schemes
  - Assesses the Group's performance and adequacy of good corporate governance and internal control
  - Discusses and approves the Group's Insider Guidelines and Guidelines on Insider Trading
  - Relieves President and CEO Mikael Silvennoinen of his duties and appoints Jouko Pölönen as the new President and CEO and Group Executive Committee member
- Q4**
- Discusses and approves the Interim Report for Q3/2013
  - Relieves Reima Rytsölä, Executive Vice President, Banking, of his duties and appoints Hannu Jaatinen as the new acting Executive Vice President, Banking.
  - Discusses outsourced operations
  - Discusses the summary of the personnel survey
  - Assesses the operation and adequacy of the Group's capital adequacy and risk management
  - Discusses and approves the principles of risk and capital adequacy management, the capital plan and risk policy, funding plan and authorisations, and the management and decision-making systems
  - Discusses the annual plan
  - Discusses and approves impairment testing for goodwill and intangible assets, and the accounting policies
  - Discusses profit distribution planning for 2013
  - Discusses and approves OP-Pohjola Group's internal control principles and the 2014 internal audit plan
  - Discusses and adopts Pohjola Group's updated disclosure policy
  - Discusses and approves the principles of the remuneration scheme and of rewarding in 2014

*At its meetings, the Board of Directors regularly discussed the President and CEO's reviews of financial markets, competition and the performance of business lines, as well as issues discussed at Board committee meetings.*

## 4.2 Board committees

The Board of Directors has set up an Audit Committee, a Remuneration Committee and a Risk Management Committee for the purpose of preparing tasks within its remit. The Board elects chairmen, vice chairmen and other members to the committees from among its members and confirms the committees' rules of procedure specifying the committees' key responsibilities and principles.

The committees have no independent decision-making powers but the Board of Directors makes decisions based on preparations made by the committees. The committees shall provide regular reports on their work to the Board of Directors.

### 4.2.1 Audit Committee

#### 4.2.1.1 Appointment and composition

The Board of Directors appoints from among its members a Chairman and Vice Chairman and a minimum of one and a maximum of two other members for a term of one year to the Audit Committee. The Committee's members must be financially literate with adequate knowledge of accounting and accounting standards, and one of the members must be a non-executive director independent of the Company and any of its major shareholders.

#### 4.2.1.2 Duties

The Audit Committee is tasked with assisting the Board of Directors in ensuring that the Company and its consolidated group have a sufficient and effective internal control system covering all operations and that the supervision of accounting and financial management is duly organised. The Committee is also responsible for ensuring that the Company's operations and internal control are organised in a manner as required by laws, regulations and the principles of good corporate governance, and for supervising the performance of internal audit.

To carry out its duties, the Committee shall, among other things,

- 1 supervise financial reporting by
  - assessing the Company's draft financial statements and interim reports, the annual Corporate Governance Statement and the Company's and its consolidated group's accounting policies
  - assessing major or exceptional transactions and the related management judgement and estimates
  - monitoring the financial statements reporting process, supervising the financial reporting

process and assessing the accuracy of financial reporting and its regulatory compliance

- 2 supervise compliance with laws, regulations and other provisions by
  - regularly consulting the Chief Compliance Officer in charge of regulatory compliance
  - evaluating how the Company complies with laws, regulations and regulatory guidelines
  - evaluating compliance with internal guidelines
  - monitoring regulatory developments related to the Company's and its consolidated group's operations
- 3 evaluate the adequacy and effectiveness of internal control by
  - monitoring and supervising compliance with the principles of internal control
- 4 assess the financial position and performance of Pohjola Bank plc and Pohjola Group
- 5 supervise internal auditing by
  - regularly consulting the Chief Audit Executive
  - evaluating the performance of the Internal Audit function and dealing with its action plan
  - familiarising itself with the Internal Audit's audit reports to a sufficient extent.
- 6 deal with issues related to regulatory supervision by
  - familiarising itself with supervisory reports issued by relevant regulators and with other reports, and by assessing any measures required by supervision
- 7 deal with and assess matters related to auditing and auditors by
  - regularly consulting auditors
  - dealing with and assessing the audit plan and auditor's reports
  - monitoring and assessing statutory audit and the provision of non-audit ancillary services to the Company in particular
  - participating in the selection process of auditors
- 8 maintain contacts with the Audit Committee of the parent institution's Supervisory Board.

The following principles shall apply to Audit Committee meetings:

- Convened by its Chairman, the Audit Committee meets at least four times a year.
- The Chairman and the CFO assume primary responsibility for the preparation of the meeting.
- A Committee meeting has a quorum if the Chairman or Vice Chairman and at least one member are present.
- In addition to Committee members and the secretary, attendants at the meetings comprise the President and CEO, Group Executive Committee members in charge of the Company's finance and risk management, OP-Pohjola Group Executive Board member in charge of finance, the Company's auditor, the Chief Audit Executive and the Compliance Officer.
- Minutes of Committee meetings are drawn up, which are discussed at the Board of Directors' meeting.

#### 4.2.1.3 Audit Committee work in 2013

The Audit Committee had six meetings, with Tom von Weymarn acting as Chairman and Merja Auvinen (until 22 March 2013), Mirkku Kullberg and Marjo Partio (since 22 March 2013) as other members. In addition to the Audit Committee members, the President and CEO,

the Chief Financial Officer, the Chief Risk Officer, OP-Pohjola Group Executive Board member in charge of finance and representatives of Internal Audit and auditors and the Compliance Officer participated in Committee meetings. The average attendance rate of its members stood at 92%.

The key tasks in 2013 involved ensuring the content of the Financial Statements and interim reports in such a way that they give a true and fair view of the Group's financial performance and financial position. The Audit Committee also followed how outsourcing related to the efficiency-enhancement programme proceeded and whether cost savings targets were achieved.

Issues related to internal control and regulatory compliance were in the forefront at each Committee meeting with the help of reports issued by Internal Audit, auditors, regulators and the compliance organisation.

With respect to its role, the Audit Committee will focus on issues related to good corporate governance, internal control, regulatory changes and their effects on the Group and its operations, and risks and their effect on financial indicators.

The calendar below shows the Audit Committee's major actions in 2013 in more detail.

### Audit Committee's calendar for 2013

- Q1**
- Discusses the Financial Statements, the Report by the Board of Directors and the Corporate Governance Statement
  - Discusses the Financial Supervisory Authority's risk assessment for 2012
  - Discusses the compliance report for 2012
  - Discusses the Central Cooperative's internal service charges in 2012 and OP-Pohjola Group Central Cooperative's supervision fees for 2013
  - Discusses internal control, compliance and external audit and audit by regulatory authorities
  - Discusses the Group's disclosure policy
  - Discusses details of the Remuneration Committee's timetable
- Q2**
- Discusses the Interim Report for Q1/2013
  - Discusses the updates to the Group's management and decision-making systems, incl. changes to the timetables of the Board's Audit Committee and Risk Management Committee
  - Discusses and approves the updated Corporate Governance Statement
  - Discusses OP-Services Ltd's Service Price List for 2013
  - Discusses internal control, compliance and external audit and audit by regulatory authorities
  - Discusses the audit plan for 2013
  - Discusses the Internal Audit action plan for 2013
  - Discusses an external, independent evaluation of collective indemnification liability within Pohjola's insurance
- Q3**
- Discusses the Interim Report for Q2/2013
  - Discusses the review on outsourcing related to the efficiency-enhancement programme
  - Assesses the Group's performance and adequacy of good corporate governance and internal control
  - Discusses internal control, compliance and external audit and audit by regulatory authorities
- Q4**
- Discusses the Interim Report for Q3/2013
  - Discusses internal control, compliance and external audit and audit by regulatory authorities
  - Discusses the guidelines and future requirements on Euribor quotations
  - Discusses a review on outsourced functions and outsourcing related to the efficiency-enhancement programme
  - Discusses a review on the supervision of insider trading
  - Discusses the testing of goodwill and intangible assets, and accounting policies
  - Discusses updates to the management and decision-making systems
  - Discusses OP-Pohjola Group's internal control principles and the 2014 internal audit plan
  - Discusses Pohjola Group's disclosure policy
  - Assesses the quality of the audit and auditors' advisory services
  - Assesses the quality of the internal audit

#### 4.2.2 Remuneration Committee

##### 4.2.2.1 Appointment and composition

At its meeting following the Annual General Meeting, the Board of Directors annually appoints three members to the Remuneration Committee in such a way that the Committee is chaired by the Chairman of the Board of Directors and vice-chaired by the Vice Chairman of the Board of Directors, and one Committee member is a non-executive member of the Board of Directors.

##### 4.2.2.2 Duties

The Remuneration Committee is tasked with

- preparing proposals submitted to the Board of Directors for the appointment of the President and CEO and his deputy and other members of the Group Executive Committee, as well as their pay, any bonuses and other terms and conditions of their executive contract
- assessing the fitness, propriety and competence/expertise of the aforementioned people
- preparing management succession plans
- preparing the Group's general incentive principles and steering the development of the Group's employee incentive schemes on the basis of these principles
- preparing proposals submitted to the Board of Directors for management incentive schemes
- assessing regularly the effectiveness of the Group's incentive schemes with the aim of ensuring that employee remuneration with respect to all personnel groups is in line with the Group's core values, strategy, goals, risk policies and control systems, and that remuneration is in line with regulatory requirements
- supervising HR management regulatory compliance within Pohjola Group.

OP-Pohjola Group's Remuneration Committee as a committee of OP-Pohjola Group Central Cooperative's Supervisory Board controls remuneration within OP-Pohjola Group and OP-Pohjola Group Central Cooperative Consolidated. Pohjola's Remuneration Committee shall comply with the policies and practices based on the aforementioned control.

The following principles shall apply to Remuneration Committee meetings:

- The Remuneration Committee meets at least twice a year, convened by its Chairman.
- The Chairman and the Senior Executive Vice President of Human Resources assume primary responsibility for the preparation of the meeting.
- A Committee meeting has a quorum if the Chairman and at least one member are present.
- In addition to Committee members and the secretary, OP-Pohjola Group Executive Board member in charge of Human Resources and, when appropriate, the President and CEO and the Senior Executive Vice President of Human Resources attend the meetings.
- Minutes of Committee meetings are drawn up, which are discussed at the Board of Directors' meeting.

##### 4.2.2.3 Remuneration Committee work in 2013

The Remuneration Committee had ten meetings in 2013, Reijo Karhinen acting as Chairman and Jukka Hienonen and Tony Vepsäläinen as other members. In addition to the Remuneration Committee members, Pohjola Group's President and CEO and Executive Vice President, Human Resources and OP-Pohjola Group's Executive Vice President, Human Resources participated in Committee meetings. The average attendance rate of its members stood at 100%.

The work of the Remuneration Committee focused on the harmonisation and documentation of remuneration in Pohjola Group within OP-Pohjola Group and OP-Pohjola Group Central Cooperative Consolidated, taking into account the development of and changes to remuneration at EU level. The Remuneration Committee's key aim was to ensure that remuneration policies and practices are in line with a company's long-term interests and that they are consistent with good and effective risk management and promote it.

Some key appointments were prepared in 2013 concerning the Group's Executive Committee, namely those of the President and CEO and Executive Vice President of Banking.

The calendar below shows the Remuneration Committee actions in 2013.

### Remuneration Committee's calendar for 2013

- Q1**
  - Discusses the Remuneration Committee's timetable
  - Discusses a report on remuneration regulations and reports to the authorities
  - Discusses a summary of 2012 on guaranteed bonuses and personnel's severance pay affecting risk exposure
  - Assesses the operation and development of the Remuneration Committee
  - Discusses the job descriptions to be confirmed for the Group Executive Committee
  - Discusses the persons included in the management long-term incentive scheme in 2013
  - Discusses the predictions for remuneration for 2012
  - Discusses the predictions for remuneration for 2013, maximum remuneration and proposal for persons to be included in the scheme
  - Discusses the criteria for the Group's Executive Committee remuneration for 2013
  - Discusses the proposals for rewarding exceptional performance in 2012
- Q2**
  - Discusses the short-term bonuses to the President and CEO and the members of the Executive Committee for 2012
  - Discusses a report on remuneration regulations and reports to the authorities
  - Discusses the prediction for short-term bonuses for 2013
  - Discusses a summary of short-term bonuses for 2012
  - Discusses the amount of profit-based bonuses for 2012 to the personnel fund
  - Discusses the payment of deferred bonuses for 2011 to the President and CEO and a member of the Group Executive Committee
  - Discusses the fit & proper assessments of Group Executive Committee members
  - Discussed the successor plan of the President and CEO and a member of the Group Executive Committee
- Q3**
  - Discusses a report on remuneration regulations
  - Evaluates the operation and development needs of remuneration schemes
  - Discusses changes to the payment of remuneration to Pohjola Group's President and CEO
  - Discusses the selection of Pohjola Group's new President and CEO
- Q4**
  - Discusses the selection of Executive Vice President of Pohjola's Banking
  - Discusses a report on remuneration regulations
  - Discusses the Risk Management statement of remuneration
  - Discusses the 2014 remuneration schemes, excluding the Group Executive Committee
  - Discusses key person resourcing and successor plans regarding the business division's executive boards and the Group Executive Committee
  - Discusses the report of the 2013 personnel survey

#### 4.2.3 Risk Management Committee

##### 4.2.3.1 Appointment and composition

The Board of Directors appoints from among its members a Chairman and Vice Chairman and a minimum of one and a maximum of two other members for a term of one year to the Risk Management Committee. The Committee members must demonstrate adequate knowledge of the business, risk management and capital adequacy management of the Company and its consolidated group.

##### 4.2.3.2 Duties

The Risk Management Committee is tasked with assisting the Board of Directors in ensuring that the Company and its consolidated group have adequate capital adequacy management and risk management systems in place covering all operations. The Committee shall also supervise the Company and its consolidated group so that they do not take excessive risks which would materially jeopardise the Company's and its consolidated group's capital adequacy, liquidity or profitability, and that the Company's and its consolidated group's risk-bearing capacity is sufficient to secure the continuity of operations.

To carry out its duties, the Committee shall

- 1 deal with the Company's and its consolidated group's risk and capital adequacy management principles, risk policies and other general guidelines governing risk management
- 2 supervise the scope and performance of the Company's and its consolidated group's risk management systems by
  - monitoring the performance of committees set up by the Board of Directors
  - assessing annually the quality, scope and efficiency of the Company's and its consolidated group's risk management
- 3 supervise the quantity and quality of the Company's and its consolidated group's capital base, financial performance, risk exposure and compliance with risk policies, credit limits and other instructions
- 4 supervise the Company to ensure that risk management is in conformity with laws and regulations and instructions issued by relevant authorities by

- dealing with and assessing risk analyses by external controlling parties
- dealing with and assessing any observations that may pertain to the performance of risk management, and measures required by such observations
- monitoring regulatory changes governing the Company's operations with respect to risk management.

- 5 assess reporting related to risks.

The following principles shall apply to Risk Management Committee meetings:

- The Risk Management Committee meets at least five times a year, convened by its Chairman.
- The Chairman and the CRO assume primary responsibility for the preparation of the meeting.
- A Committee meeting has a quorum if the Chairman or Vice Chairman and at least one member are present.
- In addition to Committee members and the secretary, the President and CEO, Group Executive Committee members in charge of finance and risk management, an OP-Pohjola Group Executive Board member in charge of OP-Pohjola Group's risk management and, when necessary, the Senior Credit Committee's Chairman attend the meetings.
- Minutes of Committee meetings are drawn up, which are discussed at the Board of Directors' meeting.

##### 4.2.3.3 Risk Management Committee's work in 2013

The Risk Management Committee had five meetings, with Tony Vepsäläinen acting as the Chairman and Jukka Hulkkonen and Harri Sailas as other members. In addition to the Committee members, the President and CEO, the CFO, the Chief Risk Officer and OP-Pohjola Group Executive Board member in charge of OP-Pohjola Group's risk management participated in Committee meetings. The average attendance rate of its members stood at 100%.

The Risk Management Committee paid particular attention in 2013 on outlook in the operating environment, economic development in Finland and the rest of Europe, and the currently low interest rates. The Committee also discussed preparations necessary for changes in capital adequacy and liquidity requirements.

The calendar below shows the Committee's major actions in 2013 in more detail.

### Risk Management Committee's calendar for 2013

- Q1**
- Discusses the Financial Supervisory Authority's risk assessment for 2013
  - Discusses the Group's risk analysis and report on customers under special monitoring on 31 December 2012
  - Discusses a report of funding and the liquidity situation
  - Discusses and evaluates the principles of capital adequacy assessment, the risk exposure and capital adequacy in 2012
  - Discusses and evaluates a report on strategic and business risks
  - Discusses a report on capital adequacy
  - Discusses a report of Libor and Euribor reference rates
- Q2**
- Discusses the Group's risk analysis and the report on customers under special monitoring on 31 March 2013
  - Discusses a report of funding and the liquidity situation
  - Discusses a report on capital adequacy
  - Discusses and assesses the progress report concerning 2013 risk policies
  - Discusses and assesses the Group's insurance cover and policy governing insurance in 2013
- Q3**
- Discusses the Group's risk analysis and the report on customers under special monitoring on 30 June 2013
  - Discusses the credit risk outlook in selected industries
  - Discusses the operation of the UW management
  - Discusses a report on capital adequacy
  - Discusses a report of funding and the liquidity situation
  - Discusses a report on operational risks
  - Has preliminary discussion on 2014 risk policies
  - Discusses the Group's Insider Guidelines and Guidelines on Insider Trading
  - Discusses internal control, compliance and external audit and audit by regulatory authorities
- Q4**
- Discusses the Group's risk analysis and the report on customers under special monitoring on 30 September 2013
  - Discusses a report of funding and the liquidity situation
  - Discusses a report on capital adequacy
  - Discussed and evaluated a report on strategic and business risks
  - Assesses the operation and adequacy of the Group's capital adequacy and risk management
  - Discusses a report on the Group's contingency planning
  - Discusses the Group's risk and capital adequacy management principles and capital plan, the Group's risk policy and funding plan and authorisation

## 5 President and CEO, and Group Executive Committee

### 5.1 President and CEO

The President and CEO is in charge of the Company's daily management in accordance with the instructions and orders issued by the Board of Directors, while ensuring that accounting practices comply with the laws and that financial management is organised in a reliable manner.

The President and CEO's duties include the management and supervision of the Group's business, and responsibility for the development and coordination of the Company's and its consolidated group's operations. In accordance with the job description confirmed by the Board of Directors, the President and CEO's main responsibilities are as follows:

- Group financial performance
- Managing Group operations and developing the organisation
- Group strategic development
- Group coordination
- Supervising subsidiary and associated company investments
- Cooperation with OP-Pohjola Group Central Cooperative and other OP-Pohjola Group's units
- Lobbying in the financial sector's cooperation bodies
- Communication with customers, shareholders, various authorities, the corporate sector, other Finnish and international banking and insurance organisations, and other stakeholder groups.

The President and CEO chairs Pohjola Group's Executive Committee.

The Board of Directors appoints the President and CEO and decides on the terms and conditions of his executive contract. Approved by the Board of Directors, a written CEO employment contract stipulates these terms and conditions. The Board of Directors annually assesses the performance of the President and CEO.

Jouko Pölönen, M.Sc. (Econ. & Bus. Adm.), eMBA acts as President and CEO. He started as President and CEO on 15 November 2013, succeeding Mikael Silvennoinen who was in the post since 1997.

Personal and other data on the President and CEO can be found on page 42 below. Information on the President and CEO's remuneration can be found below on pages 33-35.

### 5.2 Group Executive Committee

With respect to the Company's operational management, the President and CEO is assisted by the Group Executive Committee, which is an advisory body set up by the Board of Directors. The Board of Directors shall confirm the composition of the Executive Committee. The Executive Committee has neither authority, based on laws or the Articles of Association, nor any independent decision-making rights. Decisions on matters discussed by the Executive Committee shall be taken by the President and CEO or an Executive Committee member responsible for the matter in question, or these two together, unless the decision on the matter belongs within the remit of the Company's or a Group company's Board of Directors.

The Group Executive Committee shall support the President and CEO in preparing any strategic issues related to the Company and its consolidated group, coordinating Group operations, preparing and implementing any operational issues of great significance or principal in nature, as well as ensuring the effectiveness of internal control and risk and capital adequacy management and internal cooperation and information flows. As a coordination body, the Executive Committee shall take charge of the overall control of the Company and its consolidated group in such a way that the Group as a whole will achieve its profit, risk-bearing capacity and other targets and goals by following shared strategies and policies.

To carry out its duties, the Executive Committee shall particularly deal with the strategy and action plan of the Company and its consolidated group, significant issues to be presented to the Board of Directors, policy issues related to ALM and risk management, major purchases and projects, the main policy guidelines applying to the Company, its consolidated group and administration, as well as HR management policy guidelines. It is also tasked with acting as an information provider and coordinator between the management of various functions and business divisions.

The following principles shall apply to Group Executive Committee meetings:

- The Group Executive Committee comprises the President and CEO, Executive Vice Presidents of the business lines of the Company and its consolidated group, and the CFO, SEVP of Human Resources and CRO.
- The Executive Committee meets at least twice a month, convened by its Chairman
- The Chairman and the secretary assume primary responsibility for the preparation of the meeting
- Executive Committee meetings may also be attended, whenever necessary, by non-members as permanent or temporary experts and as rapporteurs.
- Minutes of Executive Committee meeting are drawn up, which are delivered to the Audit Committee of the Board of Directors.

The Group Executive Committee was chaired by President and CEO Jouko Pölonen as of 15 November 2013 following Mikael Silvennoinen up to that date. Hannu Jaatinen was appointed member of the Group Executive Committee and acting Senior Executive Vice President, Banking as of 28 October 2013 when Reima Rytsölä announced on 10 October 2013 that he was leaving Pohjola Bank plc.

The members of the Group Executive Committee and their personal data and information on their responsibilities etc. can be found on pages 42-45 below. Information on remuneration applied to the members of the Group Executive Committee can be found on pages 33-35 below.

#### 5.2.1 Group Executive Committee work in 2013

The Group Executive Committee had 25 meetings in 2013. In addition to its regular meetings, the Executive Committee had five planning days themed largely around the Group's strategy and updates concerning the Group's management and decision-making systems.

During 2013, the Group Executive Committee continued to implement the strategy approved by the Board in October 2012. The Committee discussed strategic initiatives implementing themes for the strategy period, and any development investments that they require. The Committee discussed extensively outsourcing related to the efficiency-enhancement programme and any related risks, and followed up on the realisation of cost benefits achieved through the programme. In addition, the Group Executive Committee met to follow up on and monitor strategy implementation and the implementation of strategic initiatives and to take measures required to ensure the completion of the strategic targets.

At its meetings, the Executive Committee discussed the Group's annual plan, risk and capital adequacy management principles and risk policies, and regularly analysed the financial performance, capital adequacy and risk exposure of the Group and its business segments. It also monitored the financial performance of customer segments and the progress of key measures. In addition, it discussed key issues related to markets, the competitive and regulatory environment and evaluated the effect of related changes on the Group's operations.

The Executive Committee discussed all audit reports prepared in 2013 and other key issues pertaining to internal and external control. In 2013, it analysed regularly major purchases and projects. The Executive Committee regularly discussed and reviewed issues related to competence development and remuneration.

#### 5.3 ***Board of directors of Pohjola's subsidiaries***

The board of directors of each Pohjola's subsidiary shall ensure that all Pohjola Group companies are managed in compliance with applicable laws, rules and regulations, and Pohjola's principles. The Vice Chairman of Pohjola Bank plc's Board of Directors acts as Chairman.

## The boards of directors and Presidents / Managing Directors of major subsidiaries as of 31 December 2013

	Hallitus	Toimitusjohtaja
<b>A-Vakuutus Oy</b>	Vepsäläinen Tony (pj) Aho Vesa (15.12.2013 saakka) Jormalainen Sami Luhtala Harri (15.12.2013 lähtien) Silvennoinen Mikael (15.12.2013)	Pölonen Jouko
<b>Omasairaala Oy</b>	Pölonen Jouko (pj) Geber-Teir Carina Impiö Jukka Silvennoinen Mikael (15.12.2013)	Aho Harri
<b>Pohjola Terveys Oy</b>	Pölonen Jouko (pj) Geber-Teir Carina Impiö Jukka Silvennoinen Mikael (15.12.2013)	Aho Harri
<b>Pohjola Vakuutus Oy</b>	Vepsäläinen Tony (pj) Aho Vesa (15.12.2013 saakka) Jormalainen Sami Luhtala Harri (15.12.2013 lähtien) Silvennoinen Mikael (15.12.2013)	Pölonen Jouko
<b>Seesam Insurance AS (Hallintoneuvosto)</b>	Pölonen Jouko (pj) Aho Vesa Alanne Jorma Rytsölä Reima (15.11.2013 saakka) Silvennoinen Mikael (15.11.2013)	Abner Toomas
<b>Vakuutusosakeyhtiö Eurooppalainen</b>	Vepsäläinen Tony (pj) Aho Vesa (15.12.2013 saakka) Jormalainen Sami Luhtala Harri (15.12.2013 lähtien) Silvennoinen Mikael (15.12.2013)	Pölonen Jouko

	Hallitus	Toimitusjohtaja
<b>Pohjola Asset Management Execution Services Oy</b>	Alameri Karri (pj) Kinnala Rami Leskinen Timo	Puhakka Simo
<b>Pohjola Kiinteistösijoitus Oy</b>	Alameri Karri (pj) Kinnala Rami Vuorinen Pasi	Mäkiäho Markku
<b>Pohjola Varainhoito Oy</b>	Vepsäläinen Tony (pj) Aho Vesa Pölonen Jouko (15.11.2013 lähtien) Ryynänen Erkki Silvennoinen Mikael (15.11.2013 saakka)	Alameri Karri

## 6 Management System

### 6.1 Core values and the role of the code of ethics

Pohjola has defined core values guiding its operations, which, for their part, also serve as the Group's code of ethics. The Group's core values are as follows: People-first Approach, Responsibility, and Prospering together. In its operations, Pohjola Group applies OP-Pohjola Group's Code of Business Ethics. The Code of Business Ethics provides an ethical framework for the conduct of all employees and members of governing bodies of OP-Pohjola Group. In addition, ethics is guided by the general principles and guidelines governing the management of conflict-of-interest cases updated every year. These principles contain more detailed regulations and guidelines governing, for example, the identification and management of conflict-of-interest situations, compliance with good practice, acceptance of gratuities related to business, commitments and extramural activities of management and personnel, personal and related-party transactions and decisions, and measures required in a conflict-of-interest situation.

Pohjola's core values are presented in greater detail at [www.pohjola.com](http://www.pohjola.com) > Group > Strategy and Values > Values.

### 6.2 Pohjola as part of OP-Pohjola Group Central Cooperative Consolidated

OP-Pohjola Group Central Cooperative Consolidated comprises OP-Pohjola Group Central Cooperative, which acts as the central institution owned by the member banks of the amalgamation, and institutions majority-owned or wholly-owned by the parent institution or any of its subsidiaries. Pohjola Bank plc

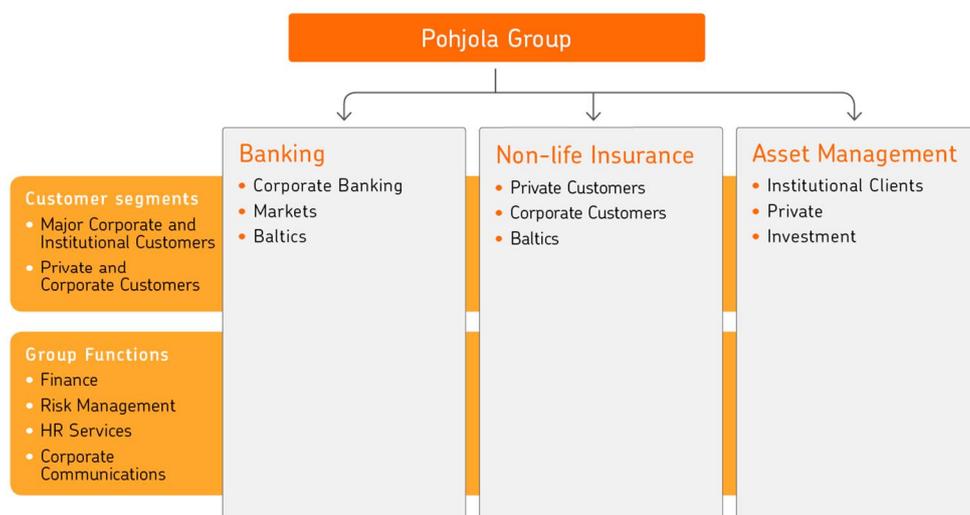
and its subsidiaries (Pohjola) belong to OP-Pohjola Group Central Cooperative Consolidated. Credit institutions within OP-Pohjola Group Central Cooperative Consolidated are the member credit institutions of the amalgamation described in greater detail in the Laki talletuspankkien yhteenliittymästä Act (Act on the Amalgamation of Deposit Banks).

OP-Pohjola Group Central Cooperative is owned by OP-Pohjola Group cooperative banks. The Supervisory Board of the central cooperative represents the owners. The general role of the Supervisory Board is to oversee the corporate governance of the Central Institution as managed by the Executive Board and the Executive Chairman and CEO, the supreme operational decision-making body of OP-Pohjola Group Central Cooperative Consolidated, and ensure that the Central Institution's and its Group's operations are managed in an expert and prudent manner in accordance with the Co-operatives Act and in the best interests of the Central Institution and OP-Pohjola Group. The Supervisory Board also oversees compliance with OP-Pohjola Group level policy guidelines and principles, which it has confirmed, within OP-Pohjola Group Central Cooperative Consolidated. The special task of the Supervisory Board is to confirm the general principles referred to in the Act on the Amalgamation of Deposit Banks. It is also tasked with deciding on issuing key Group-level guidelines.

### 6.3 Pohjola Group's organisational chart

The Group's organisation is based on three business segments consisting of business divisions and two customer segments, and the Group Functions. These three business segments are Banking, Non-life Insurance and Asset Management.

### Business structure of Pohjola on 31 December 2013



The business segments apply their vision, strategy, performance indicators and operating models based on those established at Pohjola Group level. Accordingly, the business segments' and divisions' goals and strategies must support the Group's vision and strategy.

The Group's customer segments are Major Corporate and Institutional Customers, and Private Customers and Corporate Customers. The customer segments are responsible for the management and development of customer relationships.

The Group Functions is in charge of Group finance, risk management and HR services. Control, development, support and services, which the Group, its business lines/divisions and customer segments need and which have been centralised for reasons of competencies, efficiency or risk management, have been organised at OP-Pohjola Group Central Cooperative Consolidated level.

Owned by the Group Executive Committee, the process map describes the Group's key processes, defining business processes, sales and customer processes, product processes and support processes including their owners.

The Group Executive Committee is responsible for the Group's corporate architecture consisting of business, information, technology and system architectures.

#### 6.4 **Pohjola Group's decision-making system**

The Group's operational decision-making and control are based on the business organisation confirmed by

the Board of Directors while legal decision-making is grounded on the Group's corporate structure. Operational decision-making combines with legal decision-making through the Board of Directors, whose control and supervisory responsibility covers the entire Group. The Board's rules of procedure stipulate Board responsibilities and decision-making procedure.

The following bodies/executives are responsible for operational decision-making and control:

- Board of Directors
- President and CEO
- Executive Vice President (head of the business segment)
- Executive Vice President (business division)/Executive Vice President (customer segment)
- Senior Vice President
- Vice President

The following bodies/executives are responsible for legal decision-making:

- Board of Directors
- President and CEO
- Board of directors of each subsidiary
- President/Managing Director of each subsidiary

Duties, powers and their limits, and reporting relationships applying to the business segments and their decision-making bodies are specified in the appropriate rules of procedure or task descriptions.

#### Pohjola Group's decision-making bodies and reporting relationships in brief on 31 December 2013:



## 6.5 Pohjola Group's strategic and operational planning and development

Pohjola Group's strategy updated at an around three-year interval specifies the Group's long-term strategic intent. This update is based on an analysis of the operating environment, competitive environment and Pohjola's own operations, and on OP-Pohjola Group's strategy. The Group's strategy provides foundations for the long-term strategies and operations of the business segments, business divisions and subsidiaries. The key role of strategic planning is to describe the Group's mission and vision as well as key objectives, success factors and competitive advantages which the Group aims to use to achieve its vision. When the strategy is updated, the themes for the strategy period are defined and subsequently used to manage the projects and development investments needed to implement them.

The key role of operational planning, which is short-term planning, is to describe annual priorities, key tasks and resources, as well as risk limits and future earnings paths which enable the Group to achieve the goals and targets specified in the strategy. Strategic goals and targets, initiatives and their implementation are linked with operational planning in annual business plans, action programmes and target performance indicators as well as three-year development plans. Annual planning and the setting of targets take equally into account the key themes of the strategy, that is, customer experience, growth, profitability, efficiency and staff.

The Group uses performance indicators, defined in strategies and action and development plans, to monitor the achievement of tangible goals and targets and assesses their achievement for separately defined periods. All employees will have a personal scorecard

based on common targets and personal targets derived from the strategy and annual plans. Employee incentivisation forms part of the management system aimed at motivating employees to meet Group goals and targets.

## 6.6 Pohjola Group's performance monitoring and reporting

The Group monitors the implementation of plans and the achievement of the set goals and targets on an ongoing basis in order to quickly identify any changes in the operating and competitive environment and deviations from the plans and to be able to initiate any corrective measures. Performance reviews between superiors and their subordinates are also aimed at discussing the achievement of goals and targets based on past performance, according to the organisational structure. Reporting must provide a true and clear picture of the status of line operations vis-à-vis the objectives set, actual and expected performance and any risks threatening to prevent the achievement of the objectives. Providing updated and reliable information and highlighting relevant issues and conclusions as the basis of decision-making play a key role in performance monitoring. In addition to actual performance reporting, preparing forecasts and creating optional scenarios form an integral part of monitoring. Performance monitoring is part of internal control aimed at ensuring that the Group

- implements its strategy and action plans and achieves its financial targets
- runs comprehensive and adequate risk management
- operates efficiently and reliably
- has reliable financial and other reporting in place
- abides by laws and comply with external and internal regulation.

## Framework for Pohjola Group's operational planning and monitoring on 31 December 2013



## 7 Internal and External Control

### 7.1 Internal control

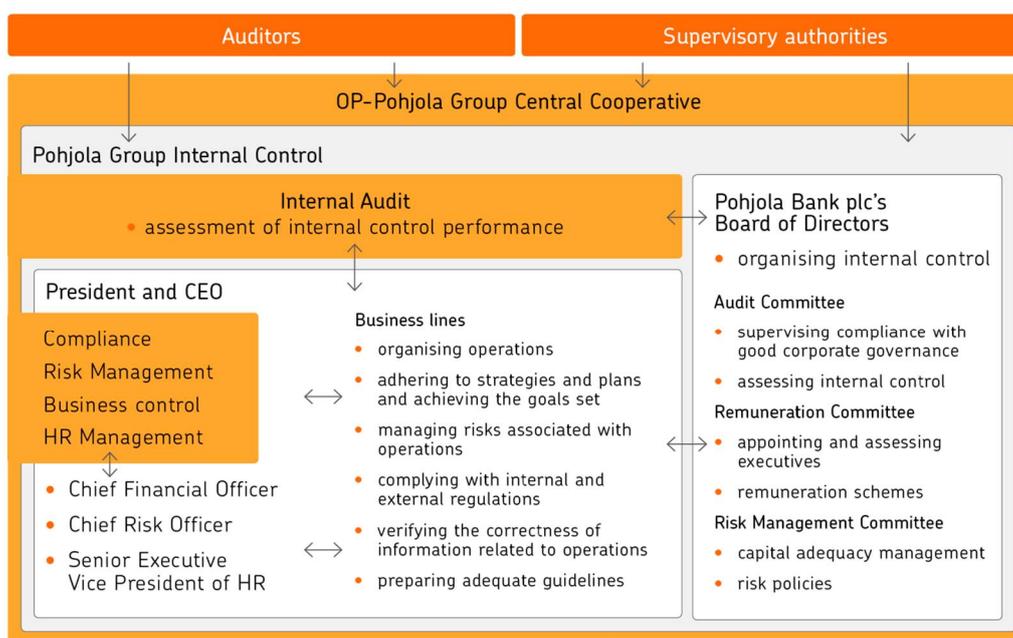
Internal control is aimed at ensuring systematic and successful strategy implementation, appropriate management of risks, efficient and reliable operations, and regulatory compliance throughout the Group's operations. Internal control covers all organisational levels. Internal control in its most extensive form primarily takes place at the operational level, characterised by continuous processes and forming part of daily routines.

The Compliance, Risk Control, Business Control and HR functions independent of the business lines assist the President and CEO, senior and line management and other functions in ensuring the effectiveness of

internal control within each business. Internal Audit also assists Pohjola's Board of Directors, President and CEO and the Group Executive Committee in ensuring internal control effectiveness. Auditors in particular ensure that financial information is correct in this respect. The Board of Directors has assigned much of the duties ensuring internal control to its committees which assume the role of preparation, since the Board of Directors makes actual decisions.

The board of directors of each Group company is in charge of duties ensuring internal control within the company. Internal Audit also covers Group companies and supports their boards of directors in ensuring effective internal control.

### Framework for Pohjola Group's internal and external control as of 31 Dec. 2013



#### 7.1.1 The Board of Directors' role

The Board of Directors is responsible for organising and maintaining adequate and effective internal control. It shall, for example,

- confirm the internal control principles and supervise the performance and adequacy of internal control within the Company and its consolidated group
- assess and supervise the appropriateness, extent and reliability of the Group's capital adequacy management
- decide on principles for ensuring that the Company and its consolidated group operate in compliance with external regulation and internal instructions (compliance)
- confirm the principles of internal audit and an action plan
- confirm the principles and procedures for ensuring the fitness, propriety and expertise/competence of the Company's and its consolidated group's management

The Board of Directors shall regularly monitor the Company's and its consolidated group's financial performance and risks associated with operations and decide on reporting, procedures and qualitative and quantitative indicators aimed at gauging efficiency and performance. The Board annually confirms the desired risk appetite and major risk management principles, as well as risk policies and key risk indicators by risk type. The Board of Directors decides on the Group's management system and the corporate and organisational structure required by operations, with a view to providing solid foundations for effective internal control.

Group-level risk management and financial reporting are performed in a coordinated way by a function independent of the business lines.

Each Group company's board of directors is responsible for the top management tasks of the company in question related to internal control. Each Group company's executive management is responsible for the implementation of internal control and risk management according to the agreed principles and guidelines, and shall regularly report on the company's business, risk-bearing capacity and risk status, in accordance with the Group's management system.

#### 7.1.2 Internal control in 2013

Group administrative matters are primarily prepared by Board committees before submitting them to the Board of Directors. In particular, the Audit Committee plays a major role in ensuring the effectiveness and regulatory compliance of internal control.

In 2013, internal control tasks included assessing the fitness, propriety and competence/expertise of all members of the Board of Directors and the Group Executive Committee. In addition, the Board of Directors assessed its own performance.

The executive management, the Audit Committee and the Board of Directors assessed the performance of good corporate governance and internal control.

#### 7.1.3 Compliance function

The Compliance function is tasked with assisting senior management and executive management and business lines/divisions in the management of risks associated with regulatory non-compliance, supervising regulatory compliance and, for its part, developing internal control. Finance and HR Services are, for their part, in charge of regulatory compliance management.

Almost all activities involve compliance risk and each business line/division is responsible for the management of risks. Pohjola Group's Chief Risk Officer, who is a member of OP-Pohjola Group's risk management Executive Board, is responsible for Pohjola Group's compliance. The Chief Risk Officer is supported by OP-Pohjola Group's Compliance function whose Chief Compliance Officer reports to OP-Pohjola Group's Chief Risk Officer. Compliance and recommendations given to the business lines/divisions as part of compliance activities are subject to regular reporting to the Audit Committee of Pohjola Bank plc's Board of Directors, the Group Executive Committee and the business lines/divisions. Compliance activities must also be reported to the Executive Board of OP-Pohjola Group Central Cooperative Consolidated and the Audit Committee of the Supervisory Board as part of OP-Pohjola Group level reporting.

As part of the annual risk management plan, OP-Pohjola Group's Compliance function shall annually draw up a compliance action plan which will be discussed by the Audit Committee of Pohjola Bank plc's Board of Directors and confirmed by the Board of Directors with respect to Pohjola Group. Principles and instructions governing compliance shall also be confirmed in the same manner. OP-Pohjola Group's Compliance function controls Pohjola Group's Compliance and is also responsible for compliance risk management at OP-Pohjola Group level and the provision of advice and support concerning compliance risk.

Compliance is aimed at preventing the materialisation of compliance risks. For this purpose, the Compliance function shall, for example,

- prepare and maintain guidelines on key matters related to practices;

- advise employees on, and train them in, matters related practices;
- support the business lines/divisions in the planning of development measures promoting the management of compliance risks;
- keep senior management and the business lines/division informed of upcoming regulatory changes and monitor the business lines'/divisions' preparation for regulatory changes;
- supervise compliance within the Group with the current regulatory framework, ethical practices and internal guidelines related to practices; and
- regularly report to both senior management and executive management on recommendations and the results of control given to the business lined/divisions and other observations related to compliance risk exposure.

#### 7.1.4 Risk management

Pohjola's core values, strategic goals and financial targets form the basis for risk and capital adequacy management. The purpose of risk management is to

identify threats and opportunities affecting strategy implementation. The objective is to help achieve the targets set in the strategy by ensuring that risks are proportional to risk-bearing capacity. Pohjola Group is a moderate risk taker and its business operations are based on a reasoned risk/return approach.

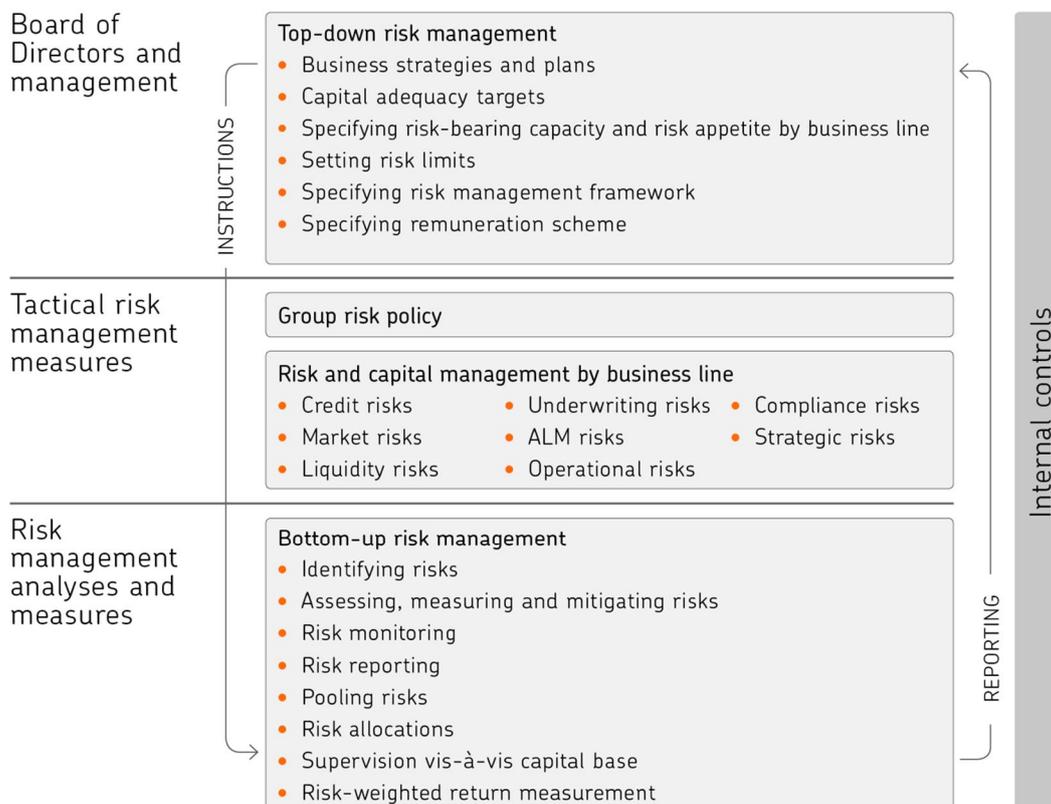
Pohjola Group applies integrated risk management aimed at identifying, assessing and mitigating all business-related risks to an acceptable level. The Group has integrated its risk management process as part of its decision-making, control and monitoring system.

##### 7.1.4.1 Major risks

Pohjola Group's major risks include credit risks, market risks, liquidity risks, underwriting risks and market risks associated with investments, as well as strategic and operational risks associated with all business operations.

More detailed information on Pohjola Group's major risks associated with operations can be found at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Risks and Capital Adequacy > Risk management principles.

#### Framework for Pohjola Group's integrated risk management on 31 December 2013



#### 7.1.4.2 Internal capital adequacy assessment process (ICAAP)

Forming part of integrated risk management, capital adequacy management aims to ensure effective capital management and the sufficient quantity and quality of capital in order to secure uninterrupted operations in the event of unexpected losses. Capital adequacy management also involves good corporate governance and the organisation of internal control and risk management, in view of the nature, extent and diversity of operations. Capital adequacy management is grounded on a proactive approach based on the Group's business strategy and plans. In preparing the strategy and the plans, the Group sets its capital adequacy target, considering business-related risks, risk appetite, target returns on capital and the structure and availability of capital. In addition to the capital adequacy target, the internal capital adequacy assessment process defines capitalisation targets by business line, capital adequacy forecasts, stress tests, scenarios and sensitivity analyses, as well as a contingency plan for maintaining the capital adequacy target considering all material risks arising from the business and changes in the operating environment.

Capital adequacy management places a strong emphasis on profitability and effective capital management. Pohjola Bank plc is responsible for capital management on a coordinated basis. Every year, subsidiaries distribute their surplus capital to Pohjola Bank plc as dividends and, if necessary, Pohjola Bank plc injects capital into the subsidiaries through subordinated loans or equity investments.

Internal Audit is responsible for the independent assessment and quality assurance of capital adequacy management.

#### 7.1.4.3 Risk policy and operating guidelines

Pohjola Group's annually formulated risk policy, approved by Pohjola's Board of Directors, provides guidelines for risk acceptance. Pohjola's risk policy is based on OP-Pohjola Group's risk policy. In the risk policy and supplementary guidelines by risk type, risk appetite is apportioned to various types of risks in such a way that the Group is able to achieve its business goals without jeopardising its risk-bearing capacity and capital adequacy targets. The risk policy is also aimed at restricting the creation of risk concentrations.

In addition, Non-life Insurance is guided by risk policies applied to private and corporate customers, reinsurance principles, investment plans and the policy governing the hedging against interest rate risk associated with insurance liabilities.

#### 7.1.4.4 Organisation of risk management and capital adequacy assessment

As the highest decision-making body in matters associated with risk management and capital adequacy management, the Board of Directors decides on the goals and organisation of risk management and capital adequacy management, confirms the risk and capital adequacy management principles, risk policy, investment plans and the main principles governing risk management.

In addition, the Board supervises and monitors the implementation of risk management and capital adequacy management. The Board ensures the adequacy of risk management systems, confirms business goals, assesses the need for the Group's and Group companies' capital buffers, confirms capital plans and a proactive contingency plan for the capital base, and decides on principles for ensuring that the Company and its consolidated group operate in compliance with external regulation and internal instructions (compliance). It also decides on reporting procedures which senior management uses to monitor the Group's and subsidiaries' business, risk-bearing capacity and risk status. The Board assesses the appropriateness, extent and reliability of Pohjola Group's capital adequacy management on a holistic basis at least once a year. The Board also approves the Group's decision-making system and appoints members of Pohjola's Senior Credit Committee, and confirms the description of the Underwriting Executives' duties and appointments.

The Board has appointed a Risk Management Committee for the purpose of preparing risk management and capital adequacy management duties for which the Board is responsible. The Committee is tasked with assisting the Board of Directors in ensuring that the Company and its consolidated group have adequate capital adequacy management and risk management systems covering all operations. The Committee shall also supervise the Company and its consolidated group so that they do not take excessive risks which would materially jeopardise the Company's and its consolidated group's capital adequacy, liquidity or profitability, and that the Company's and Group's consolidated group's risk-bearing capacity is sufficient to secure the continuity of operations.

To carry out its duties, the Risk Management Committee deals with the Company's and its consolidated group's capital adequacy management principles, risk policy and other general guidelines governing risk management. The Committee supervises the scope and performance of the Company's and its consolidated group's risk management systems and the quantity and quality of the Company's and its consolidated group's capital base, developments in their financial performance, risk exposure and compliance with the risk policy, credit limits and other instructions. It also supervises the Company and its consolidated group to ensure that risk management is in conformity with laws and regulations and instructions issued by relevant authorities.

Pohjola Group's Executive Committee takes charge of the overall control of the Company and its consolidated group in such a way that the Group as a whole achieves its profit, risk-bearing capacity and other targets and goals by following shared strategies and policies. To carry out its duties, the Executive Committee shall particularly deal with the strategy and action plan of the Company and its consolidated group, significant issues to be presented to the Board of Directors, policy issues related to ALM and risk management as well as major purchases and projects.

The Group Executive Committee is tasked with analysing, coordinating and controlling asset/liability management in accordance with laws, official regulations and risk policy issued by the Board of Directors. The Executive Committee deals with the development of the equity structure, the allocation of shareholders' equity to business units and risk types and the allocation of credit limits specified in risk policy to the business lines/divisions.

OP-Pohjola Group Central Cooperative is responsible for OP-Pohjola Group-level risk and capital adequacy management and for ensuring that OP-Pohjola Group's risk management system is sufficient and up to date. OP-Pohjola Group's risk management control is a function independent of any of the business lines that defines, steers and supervises the overall risk management of OP-Pohjola Group and its institutions. As part of OP-Pohjola Group Central Cooperative Consolidated and OP-Pohjola Group, Pohjola Group complies in its risk management and capital adequacy management with the risk and capital adequacy management principles applied at the OP-Pohjola Group level.

Pohjola's CRO is tasked with further develop and implement integrated risk and capital adequacy management within Pohjola Group in cooperation with other Executive Committee members and the OP-Pohjola Group Central cooperative's Risk Management. The CRO and OP-Pohjola Group Central cooperative's Risk Management assist the Board of Directors, the Risk Management Committee and the Audit Committee

in the preparation and further development of the Group's risk and capital adequacy management principles and in the preparation of the Group's risk policy. In addition, the CRO and OP-Pohjola Group Central cooperative's Risk Management Control are in charge of monitoring and reporting the implementation of Pohjola Group's risk-bearing capacity and risk policy, and preparing and maintaining decision-making powers and instructions pertaining to risk-taking. Risk Management also assists in decision-making and controls the quality of the credit decision process. It also assesses risks associated with the introduction of new products and business models/concepts.

The business lines shall bear primary responsibility for their risk-taking, financial performance and compliance with the principles of internal control and risk management and capital adequacy management. The business lines have the right to take decisions on risk-taking within the approved decision-making powers, exposure limits and credit limits in compliance with the Group's risk policy and guidelines.

A more detailed description of Pohjola Group's risk management and capital adequacy management principles and risk exposure can be found at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Risks and Capital Adequacy, and in the most recent Report by the Board of Directors and Financial Statements (see [www.pohjola.com](http://www.pohjola.com) > Media > Material Service).

#### 7.1.4.5 Risk management in 2013

In risk management, key tasks in 2013 included monitoring regulatory changes and supervising compliance with capital adequacy management and risk management principles and credit limits, confirmed by the Board of Directors, and other internal guidelines supporting risk management. Guidelines related to contingency and emergency preparedness planning, new products and operating models and the management of outsourced services form an integral part of other internal guidelines supporting risk management. Regular monitoring covered, for example, developments in the bank's credit risk exposure, the risk exposure of the Group's investment portfolios, developments in indebted euro-zone economies, market and operational risk management methods, processes related to customer due diligence and internal control, new operating models and products, and regulatory changes and preparing for them.

Key risk management initiatives in 2013 involved developing risk management technology by means of various information systems, preparing for regulatory changes and enhancing the continuity, efficiency and predictability of operations. Pohjola further reinforced the Baltic Banking risk management organisation.

The executive management, the Risk Management Committee and the Board of Directors assessed the

performance and adequacy of risk management. Accordingly, risk management in the present situation is duly organised within Pohjola Group. However, the function will require further development in the wake of changes in the business and regulatory environment.

#### 7.1.5 Internal Audit

The Internal Audit function is tasked with assisting Pohjola Bank plc's Board of Directors and Group management in controlling, supervising and assuring operations by carrying out operational audits. Internal audit is based on an independent and objective assessment, assurance and consulting activities. It supports the management in their efforts to achieve objectives by providing a systematic, disciplined approach to assessing and upgrading the efficiency of the organisation's risk management, control and management and governance processes, with the focus on the identification of risk factors and the assessment of the performance of internal control.

Responsibility for internal audit rests with two Internal Audit functions within Audit of Pohjola Bank plc's parent institution, OP-Pohjola Group Central Cooperative, whose heads report to the Chief Audit Executive of OP-Pohjola Group, and report observations applying to Pohjola Bank plc to the Board's Audit Committee and the Group Executive Committee.

The Board of Directors has confirmed the instructions governing the organisation and operating principles of internal audit. The Internal Audit function prepares an annual action plan submitted for the Board's approval. It also produces special reports at the management's request and assists the Board's Audit Committee.

Internal Audit is a function independent of Pohjola's business lines and divisions. Internal Audit shall prepare a report on each audit and deliver it to the President and CEO, the Audit Committee, auditors, the CRO, the Compliance function and those in charge of the business line concerned. These reports may contain recommendations aimed at improvements. Internal Audit and the Board's Audit Committee monitor the execution of the measures based on such recommendations.

Internal audit is performed in compliance with good internal auditing practice. The International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors, and professional standards, issued by the Information Systems Audit and Control Association, and the code of ethics provide the conceptual framework for good internal auditing practice.

##### 7.1.5.1 Internal Audit in 2013

The internal audit action plan for 2013, approved by the Board of Directors, involved audits related to OP-

Pohjola Group Central Cooperative Consolidated and those related only to Pohjola Group. Internal Audit completed 18 audit reports regarding Pohjola Group and seven regarding OP-Pohjola Group Central Cooperative Consolidated which also involved some audits related to Pohjola Group. These audits involved assessing the effectiveness of Pohjola Bank plc's and its subsidiaries' controls and internal control in various operating processes and information systems, as well as the effectiveness of risk management and its procedures.

Internal Audit regularly monitored the progress of the implementation of the recommendations issued on a half-yearly basis and regularly reported its monitoring observations to the Audit Committee and the Group Executive Committee.

## 7.2 External control

### 7.2.1 Audit

Pohjola Bank plc's Articles of Association stipulate that the General Meeting of Shareholders shall elect a minimum of one and a maximum of three auditors and one deputy auditor, if none of the auditors is a firm of authorised public accountants as referred to in the Auditing Act, for the purpose of examining the Company's accounting, financial statements and corporate governance. The auditor and deputy auditor must be an authorised public accountant (APA) or a firm of authorised public accountants as referred to in the Auditing Act. The auditors' term of office begins on the date of their election and terminates upon the closing of the Annual General Meeting following their election.

Pohjola Bank plc's parent institution, OP-Pohjola Group Central Cooperative, puts audit services out to tender at some five years' interval (last time at the end of 2011), on the basis of which it proposes eligible auditors to the Annual General Meeting.

The auditors are tasked with auditing the accounting, financial statements and governance of the Company and its consolidated group in order to obtain assurance that the Company and its administrative bodies act in compliance with applicable laws and that the financial statements have been prepared in compliance with the rules and regulations in force and give shareholders and other stakeholders a true and fair view of the financial performance and the financial position of the Company and its consolidated group. In addition, the firm of authorised public accountants shall perform an extended audit according to plans specific to each audit. The Board's Audit Committee annually assesses the performance of the auditor and the quality of advisory services.

The auditors presents the Auditor's Report to the Annual General Meeting, expressing their opinion of the

content of the financial statements and proposed profit distribution, and the discharge those in charge from liability. Based on their observations, they also draw up audit memoranda delivered to the Board of Directors, the President and CEO, the Audit Committee, the CRO, Internal Audit and the Finnish Financial Supervisory Authority. Whenever necessary, auditors also issue oral reports to the aforementioned persons and bodies. The Audit Committee consults the auditor when dealing with the consolidated annual accounts and interim accounts, as well as the accounting policies. The auditors have a statutory obligation to notify the Financial Supervisory Authority of any matters or decisions that put operations and the existence of licence requirements at risk, or that result in an opinion in the Auditor's Report other than the unqualified opinion, as referred to in the Auditing Act, or result in an auditors' remark as referred to in Section 15, Paragraph 4 of the Auditing Act.

Audit fees for statutory audit are based on an annual plan and those for extended audit on an audit-specific plan.

#### Auditors' remuneration in Pohjola Group, euros

Euros	2013	2012	2011	2010	2009
Audit	291 742	333 779	338 741	369 326	417 811
Assignments under section 1, subsection 1, paragraph 2 of the Auditing Act	142 827	230 281	33 381	55 226	88 812
Tax consultancy	154 007	80 664	74 059	100 255	97 306
Other services	396 166	93 158	283 087	381 277	660 009
<b>Total</b>	<b>984 741</b>	<b>737 882</b>	<b>729 268</b>	<b>906 084</b>	<b>1 263 938</b>

#### 7.2.2 Supervision by OP-Pohjola Group Central Cooperative

Pohjola belongs to the amalgamation of cooperative banks, under applicable laws, which comprises OP-Pohjola Group Central Cooperative as the central institution together with its member credit institutions and financial institutions and service companies over which they exercise control. OP-Pohjola Group Central Cooperative controls the amalgamation's operations and provides the companies within the amalgamation with guidelines for risk management, good corporate governance and internal control with the aim of safeguarding their liquidity and capital adequacy. The central institution may also confirm general principles to be followed by the member credit institutions in operations relevant to the amalgamation.

OP-Pohjola Group Central Cooperative supervises its member credit institutions in the manner as referred to

#### 7.2.1.1 Audit in 2013

KPMG Oy Ab, a firm of authorised public accountants, acted as the Company's auditor in 2013, Sixten Nyman, APA, acting as the chief auditor, appointed by KPMG Oy Ab. KPMG Oy Ab has acted as the Company's auditor since 2002 and Sixten Nyman as chief auditor since 2007. KPMG Oy Ab, a firm of authorised public accountants, and auditors appointed by KPMG Oy Ab acted as auditors of Pohjola Group's subsidiaries.

Pohjola Group's audit plan was prepared as part of OP-Pohjola Group Central Cooperative Consolidated's audit plan. In addition to auditing the company's and Group's statutory financial statements and interim reports, the audits focused on the handling of insurance companies' securities trading, accounting and closing processes, pension benefits related to accidents and motor liability insurance, and commissions and fees.

Pohjola used KPMG Oy Ab's advisory services mainly in bond programme consultation and related comfort letters. Small assignments have related to, for example, IAS 19 calculations, hedging of insurance liabilities, documentation of transfer pricing and tax consultation.

in the Laki talletuspankkien yhteenliittymästä Act (Act on the Amalgamation of Deposit Banks). In its operations, Pohjola Group takes account of OP-Pohjola Group's strategy, confirmed by OP-Pohjola Group Central Cooperative's Supervisory Board, and regulations and guidelines on risk management and other operations issued by OP-Pohjola Group Central Cooperative to the member banks. Pohjola Group reports to OP-Pohjola Group Central Cooperative in a manner agreed separately.

#### 7.2.3 Regulatory supervision

The Finnish Financial Supervisory Authority oversees Pohjola Bank plc and Pohjola Group investment firms and insurance companies in Finland as prescribed in legislation governing financial and insurance markets. The Group's operations in Estonia, Latvia and Lithuania are supervised in applicable parts by the supervising authorities of the countries in question.

## 8 Financial Reporting Process

The guidelines governing the Group's business planning and monitoring, approved by the Board of Directors, depict the key principles governing Pohjola Group's business control and financial reporting. The chapter above describes the main aspects of internal control and risk management. This chapter, Financial Reporting Process, describes the main features of how Pohjola Group's internal control and risk management work with a view to ensuring that the Group's financial reports give essentially true information on the Company's and its consolidated group's financial performance and position.

Pohjola Bank plc and the majority of Group companies are subject to regulatory supervision. According to regulations issued by the regulators, the Board of Directors of Pohjola Bank plc must decide on reporting and other internal control methods that senior management uses to monitor Group operations, financial performance and risks associated with operations. Group-level financial information correctly consolidated using sub-ledger accounting and Group companies' information forms the basis of reliable financial reporting.

Pohjola Group reports its business segments – Banking, Non-life Insurance and Asset Management – and the Group Functions as its operating segments in internal and external reporting.

Pohjola-Group uses Group-wide financial reporting and risk reporting to monitor the achievement of its business goals and financial targets, and these reports are regularly reviewed at executive management and Board meetings. Financial information in the report is compared with related plans and the report also describes earnings outlook for the current year and the next 12 months. The very same principles apply to the monthly financial performance and risk report prepared by the management. When preparing and examining the report, the management ascertains the accuracy and correctness of the financial results and reporting by analysing the performance and risk exposure and any deviations from targets.

Pohjola Group's external reporting is based, for example, on the International Financial Reporting Standards, the Finnish Limited Liability Companies Act, the Act on Credit Institutions, the Insurance Companies Act, the Accounting Act, and the standards and regulations issued by the Financial Supervisory Authority. OP-Pohjola Group's shared principles are applied in the accounting and financial statements of Pohjola Bank plc and its subsidiaries and in the consolidated financial statements. Pohjola Group prepares its financial statements in compliance with IFRS. Group subsidiaries, excluding Pohjola Asset Management Ltd, prepare their financial statements for the time being in accordance with the Finnish

Accounting Standards (FAS). Responsibility for the interpretation of the official accounting standards and the provision of the related instructions and guidance as well as supervision of compliance with the common accounting policies rests with OP-Pohjola Group Central Cooperative, OP-Pohjola Group's central institution. Whenever necessary, OP-Pohjola Group Central Cooperative turns to auditors who give a statement of the selected principles and interpretations.

The financial reporting guidelines and application instructions have been compiled to form an accounting manual which includes interpretations of the IFRS at the OP-Pohjola Group level. The updatedness of the most significant standards is annually checked as part of the update of the accounting policies.

### 8.1 Organisation of financial reporting

Pohjola Bank plc's Board of Directors is the highest decision-making body in matters associated with business control. The Board of Directors must ensure that supervision of accounting and financial management is duly organised. It decides on reporting, procedures and qualitative and quantitative indicators used to assess operational efficiency and performance. The Board of Directors discusses and adopts the consolidated financial statements and interim reports. The Board also annually reviews the performance and adequacy of the Company's and its consolidated group's internal control, compliance, risk management and business control. The Board receives the Group's and its business lines' financial performance and risk reports on a monthly basis and risk analyses on a quarterly basis.

The Board of Directors has set up an Audit Committee in charge of preparing tasks within the Board's remit regarding financial reporting. The Audit Committee is tasked with assisting the Board of Directors in ensuring that the Company has a sufficient internal control system covering all of its operations and that the supervision of accounting and financial management is duly organised. It must also evaluate how the Company complies with laws, regulations, official instructions and internal instructions. Before the Board of Directors meets, the Audit Committee shall analyse the financial statements and interim reports and the accounting policies. The Audit Committee also discusses the most significant changes made to the accounting policies during the financial period, principles governing impairment testing for goodwill and intangible assets and the outcome of this testing, and critical accounting estimates and judgements, as well as control reports and reports prepared by regulators, auditors, Internal Audit and the Compliance function.

Under the Limited Liability Companies Act, the President and CEO shall ensure that the Company's

and its consolidated group's accounting practices comply with the law and that financial management is organised in a reliable manner. Independent of the business lines/divisions, the Finance function and the Risk Management function within the Group Functions are responsible for the Group's financial reporting. The Group Functions produce reliable, relevant and up-to-date information on the Group's performance and finances, and keeps the Board of Directors, the Audit Committee, the President and CEO, Group Executive Committee members and other decision-makers informed of the Group's financial performance and near-term outlook. The Group Functions shall also control the quality of outsourced accounting services and services for reports to regulators and other relevant authorities, and develop business control and risk management methods, indicators and the supporting systems.

Compiling financial statements information and interim reports are coordinated at OP-Pohjola Group Central Cooperative Consolidated level. The needs of the management and business lines as well as applicable legislation guide reporting. Reporting systems and communication have been established in such a way that monitoring and controlling goals and targets, financial performance, operations and risks at specified organisational levels in the appropriate way by business unit and on the whole are possible and that the required reporting and communication are open both vertically and horizontally throughout the organisation. When reporting Pohjola Group's and business lines' results and other inside information, it is necessary to ensure that those receiving the report belong to the Insider Register.

Business control primarily uses OP-Pohjola Group's shared systems. Operational duties related to financial and management accounting are coordinated at OP-Pohjola Group Central Cooperative Consolidated level.

## **8.2 *Independent assessment of financial reporting***

As provided by law, auditors shall assess the accuracy of financial reporting. The auditors are tasked with auditing the accounting, financial statements and governance of the Company and its consolidated group in order to obtain assurance that the Company and its

administrative bodies act in compliance with applicable laws and that the financial statements have been prepared in compliance with the rules and regulations in force and give shareholders and other stakeholders a true and fair view of the financial performance and the financial position of the Company and its consolidated group.

In its audits, Internal Audit assesses the effectiveness and adequacy of the Company's and its consolidated group's financial reporting, and reports these audits to the executive management and the Audit Committee. During its inspections, the Financial Supervisory Authority also oversees the financial reporting process and its effectiveness.

## **8.3 *Financial reporting in 2013***

The evaluation of impairments on receivables was developed further in 2013. In the entire OP-Pohjola Group, impairment loss on receivables recognised collectively is based on expected loss based on economic capital measurement. Other impairment criteria were also subject to revisions.

The documentation of Group-internal transfer pricing was developed with regard to Baltic operations, and this will be continued in 2014.

Pohjola continuously upgrades its financial reporting process and business control tools. In 2013, the financial reporting of the senior management was changed and customer profitability accounting methods were developed while assuring and improving the quality of sub-ledger accounting and data warehouses. Furthermore, Pohjola secured the accuracy of reportable information when further developing Non-life Insurance provision accounting.

Controlling financial reporting accuracy and reliability includes monitoring regulatory changes. Pohjola monitors regulatory changes together with OP-Pohjola Group Central Cooperative and the Audit Committee receives reports on the preparation for regulatory changes. Future amendments to standards governing financial instruments, insurance contracts and leases will have the most significant effects on financial reporting. The effective date of such amendments is still open.

## 9 Remuneration

### 9.1 Board emoluments and other benefits

The Annual General Meeting (AGM) decides on Board emoluments and other benefits. The parent institution, OP-Pohjola Group Central Cooperative, prepares proposals for Board emoluments submitted to the AGM. These proposals are included in the Notice of the Annual General Meeting and published in a stock exchange release.

The monthly Board emoluments approved by the AGM of 22 March 2013 are as follows:

Chairman 8,000 euros, Vice Chairman 5,500 euros and other members 4,500 euros. An additional monthly emolument of 1,000 euros is paid to such Board committee chairs who are not the Chairman or Vice Chairman of the Board. In addition, all Board members receive an attendance allowance of 550 euros per meeting. Monthly Board emoluments are treated as pensionable salary. Daily allowances and compensation for travel expenses are payable to the Board members in accordance with the Group's Travel Expenses Regulations. Monthly Board emoluments are paid in cash. The emoluments were the same as in 2012.

#### Monthly Board emoluments in 2013, euros

Name and position	Monthly emoluments	Meeting allowance	Total
Reijo Karhinen, Chairman	96 000	11 000	107 000
Tony Vepsäläinen, Vice Chairman	66 000	12 650	78 650
Merja Auvinen, member until 22 March 2013	13 500	2 750	16 250
Jukka Hienonen, member	54 000	11 000	65 000
Jukka Hulkkonen, member	54 000	5 500	59 500
Mircku Kullberg, member	54 000	7 700	61 700
Marjo Partio, member since 22 March 2013	40 500	3 850	44 350
Harri Sailas, member	54 000	8 800	62 800
Tom von Weymarn, member and Chairman of the Audit Committee	66 000	9 350	75 350
<b>Total</b>	<b>498 000</b>	<b>72 600</b>	<b>570 600</b>

### 9.2 President and CEO's salary and other benefits

The Board of Directors appoints the President and CEO and decides on his salary, benefits and the terms and conditions of his executive contract. Approved by the Board of Directors, a written CEO employment contract stipulates these terms and conditions.

The CEO employment contract does not stipulate any specific retirement age for the President and CEO. The President and CEO is covered by TyEL (the Finnish Employees Pensions Act) which provides pension benefits based on the years of employment and earnings as prescribed in the Act. The retirement age is 63–68 years, depending on his choice. The President and CEO is not included in any supplementary pension plan. In addition to the statutory pension scheme, Mikael Silvennoinen (President and CEO until 14 November 2013) is covered by OP Bank Group Pension Foundation's supplementary pension scheme. In the latter scheme, his retirement age is 64 years. Pension accrued under the supplementary pension scheme may begin to be paid out as a paid-up pension before the old-age pension, if employment with OP-Pohjola Group

terminates. In such a case, the minimum retirement age for men is 57 years.

The period of notice applicable under the President and CEO's executive contract is six months. According to this contract, the company must pay the President and CEO severance pay equalling his 12-month total salary, in addition to compensation for loss of office, if the company dismisses him or he has to resign or terminate the contract due to a reason attributable to the company. In case the executive contract terminates due to reasons attributable to the Company, the President and CEO will be entitled to bonuses under the short- and long-term incentive schemes for the year of contract termination, provided that the schemes' performance criteria and the criteria for payment under the schemes' terms and conditions are fulfilled and his executive contract has been effective throughout the performance year.

### **9.3 Principles governing remuneration paid to the President and CEO and other management**

Pohjola's incentive schemes are aimed at encouraging and engaging key human resources in the development of Pohjola's business and ensuring that Pohjola attracts new key employees. The Board of Directors and its Remuneration Committee assess and monitor regularly the effectiveness of the Group's incentive schemes with the aim of ensuring that remuneration policies and practices with respect to all personnel groups are in line with the Group's core values, strategy, targets and goals, risk policies and control systems. When creating all of the incentive schemes in place at Pohjola, OP-Pohjola Group took account of regulation governing remuneration policies and practices in the financial services industry.

Remuneration payable to the President and CEO and the other Group Executive Committee members consists of the following three components: 1) Basic pay (salary and fringe benefits, based on the job grade and skills); 2) short-term incentives (performance-based bonuses, based on the achievement of targets under the annual plan); and 3) long-term incentives (OP-Pohjola Group's common share-based management incentive scheme, based on the achievement of the Group's shared strategic goals and targets).

Upon the Remuneration Committee's proposal, the Board of Directors decides on remuneration paid to the President and CEO and other members of the Group Executive Committee.

One of the members in Group Executive Committee is covered by the Pension Foundations supplementary pension. The President and CEO or the other Group Executive Committee members are not beneficiaries under any supplementary pension plan.

### **9.4 Short-term management incentive scheme**

The Board of Directors decides annually on the Group Executive Committee members' short-term incentive scheme, based on targets shared by the Executive Committee and deriving from the annual plan and the results achieved, on the one hand, and on personal targets set during the performance reviews held at the beginning of each year, on the other hand. In addition, the entire financial services group's financial performance is taken into account with respect to the President and CEO. The achievement of these targets is discussed in the next performance review a year later. The Group's financial performance vis-à-vis the target set affects maximum bonus amounts stepwise. If the Group posts a pre-tax loss, no short-term performance-based bonuses will be paid to the Group Executive Committee members. If OP-Pohjola or

Pohjola Group reports a capital adequacy ratio of less than 1.3 under the Act on the Supervision of Financial and Insurance Conglomerates at the end of each performance year, no bonuses will be paid either.

In 2013, the President and CEO the other Group Executive Committee members are entitled to a maximum bonus corresponding to their regular four-month salary subject to PAYE tax. Bonuses under the short-term incentive scheme are paid in cash, in view of OP-Pohjola Group's payment guidelines with respect to persons affecting the Company's risk profile.

### **9.5 Long-term management incentive scheme**

Based on the Board of Directors' decision in February 2011, Pohjola is involved in OP-Pohjola Group's long-term share-based management incentive scheme. This scheme has OP-Pohjola Group-level targets and the primary target performance indicators refer to growth in the number of private customers using OP-Pohjola as their main bank and insurer, based on cross-selling, and growth in the market share of corporate customer business. In addition, profitability (return on economic capital) and capital adequacy are indicators incorporated into the scheme. No bonuses will be paid if OP-Pohjola Group's capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates is less than the minimum of 1.3 on the payout date.

OP-Pohjola Group's shared management incentive scheme consists of consecutive three-year performance periods, the first of which is 2011–13. The presiding officers of the Supervisory Board shall decide on the commencement of a new performance period. The Supervisory Board shall determine the performance indicators for the scheme and a target set for them separately for each performance period. Pohjola Group's Executive Committee members and other persons confirmed by the Board of Directors are included in the scheme,

Those covered by the scheme will be entitled to a certain number of Pohjola Bank plc Series A shares, if OP-Pohjola Group attains its strategy-based targets set for the performance period in question. The bonus based on the scheme will be paid out to the beneficiary in terms of shares and cash and in three equal instalments in 2015, 2016 and 2017 after the performance period, provided that OP-Pohjola Group's capital adequacy is higher than the minimum requirement on the payout date. Taxes and tax-like charges incurred by the key employee due to equity-settled payment will form the portion paid in cash. Bonus payout includes conditions relating to the duration of employment or executive contracts. In December 2012, the Supervisory Board included in the scheme stipulations related to a hedging prohibition and the retention period. The hedging prohibition

refers to a prohibition against use of financial instruments or insurance under the incentive scheme for hedging personal risks. The President and CEO and the Group Executive Committee members must hold the shares received under the scheme for at least 12 months from the date of the bonus payout (retention period). Restrictions governing the retention period also apply to other people covered by the scheme on certain terms specified in greater detail.

According to the rules governing the scheme, during their employment with the Company the President and CEO and the Group Executive Committee members must retain at least half of the shares received on the basis of the scheme until such shareholding equals one person's 12-month fixed gross earnings.

The bonus is determined by the management position. If the set targets are annually achieved at 100%, the management and key employees will be entitled to a bonus equalling their regular 2–12-month salary subject to PAYE tax. If the targets are met at 100%, the President and CEO is entitled to a maximum bonus corresponding to his regular 8-month salary subject to PAYE tax and the rest of the Group Executive Committee members to a maximum bonus corresponding to their regular eight-month salary subject to PAYE tax. As to Mikael Silvennoinen (President and CEO until 14 November 2013), this

maximum bonus corresponded to his regular 12-month salary subject to PAYE tax. According to the rules governing the scheme, during their employment with the Company the President and CEO and the Group Executive Committee members must retain at least half of the shares received on the basis of the scheme until such shareholding equals one person's 12-month fixed gross earnings.

Pohjola Series A shares available from the stock market will be used as share-based bonuses distributed under the scheme, i.e. the scheme will have no dilution effect.

Pohjola Group has no ownership-based incentive schemes in place.

### 9.6 Long-term incentive scheme for other employees

The majority of Group personnel (except management) are members of OP-Pohjola Group's personnel fund. This long-term scheme is grounded on the achievement of OP-Pohjola Group's shared strategic goals and targets. The scheme uses the same target performance indicators as the long-term management incentive scheme. The Board of Directors annually decides the amount of profit-based bonuses transferred to the Fund.

### Salaries paid to the President and CEO, and members of the Group Executive Committee in 2013, euros

	Regular pay	Fringe benefits *)	Amount paid in 2013 of deferred bonuses earned previously	Earned bonuses for 2012	Amount of bonus paid in 2013	Amount of bonus deferred **)	Amount of bonus paid in cash **)
President and CEO Silvennoinen (until 14 November 2013)	548 268	17 786	18 946	149 680	91 409	58 271	43 703
President and CEO Pölönen (since 15 November 2013)	48 762	1 319					
Other members	1 446 408	67 941	12 493	248 162	190 449	57 713	143 200
<b>Total</b>	<b>2 043 438</b>	<b>87 046</b>	<b>31 439</b>	<b>397 842</b>	<b>281 858</b>	<b>115 984</b>	<b>186 903</b>

	Amount of bonus paid in shares **)	Long-term incentive share bonus for 2010	Pay, bonuses and fringe benefits paid in total in 2013	Pay, bonuses, fringe benefits and deferred bonuses paid in total in 2013
President and CEO Silvennoinen (until 14 November 2013)	48 076	362 865	1 039 274	1 097 545
President and CEO Pölönen (since 15 November 2013)			50 081	
Other members	47 618	531 047	2 248 338	2 306 051
<b>Total</b>	<b>95 694</b>	<b>893 912</b>	<b>3 337 693</b>	<b>3 403 596</b>

\*) Procedure in accordance with Decree no. 1372 of 2010 Decree of the Ministry of Finance on remuneration schemes in credit institutions and investment firms (Valtiovarainministeriön asetus luottolaitosten ja sijoituspalveluyritysten palkitsemisjärjestelmästä).

\*\*) President and CEO Silvennoinen and Pölönen had an unlimited company car benefit.

## 10 Insider management

The Company is under a statutory obligation to maintain a register of its insiders as a share issuer and an investment service provider. The Board of Directors has confirmed the Insider Guidelines and Guidelines on Insider Trading, containing instructions regarding public and non-public company-specific insider registers (permanent company-specific insider register and project-specific insider registers), as well as regulations on the organisation and procedures of insider management. The guidelines are based on laws governing securities markets, regulations issued by the Finnish Financial Supervisory Authority and the recommendation for listed companies' insider guidelines issued by NASDAQ OMX Helsinki. These guidelines are aimed at fostering stock market players' trust in Pohjola.

Members of the Board of Directors, President and CEO, other members of the Group Executive Committee and the chief auditor of the Company's auditing firm are included in the "Public insider register – Pohjola as an issuer of shares". Members and deputy members of OP-Pohjola Group Central Cooperative's Executive Board and the Chief Audit Executive also belong to the register. Members of OP-Pohjola Group Central Cooperative's Supervisory Board and separately designated people in the employ of OP-Pohjola Group Central Cooperative Consolidated and those working for OP-Pohjola Group Central Cooperative Consolidated under some other contract, who regularly receive inside information related to Pohjola, are included in the "Non-public, permanent company-specific insider register – Pohjola as an issuer of shares". Pohjola assesses the need for insider registers related to individual projects on a case-by-case basis in accordance with its Insider Guidelines and Guidelines on Insider Trading. Persons who receive inside information on an individual project are included in project-specific registers.

Persons included in the "Insider register – Pohjola as an issuer of shares" (excl. those belonging to project-specific registers) shall time their trading in shares or securities and derivatives entitling to the shares issued by Pohjola in such a way that such trading does not undermine trust in securities markets. Insiders may not sell short the aforementioned securities or trade in them during the period of closure of Pohjola's trading window. The trading window will be closed immediately after the end of each quarter and opened after the date of release of a financial statements bulletin or interim report. It is recommended that insiders make only long-term investments in Pohjola shares, securities and derivatives entitling to the shares

Pohjola supervises regularly compliance with the Insider Guidelines and Guidelines on Insider Trading with respect to trading restrictions and the updatedness of the register. In addition, Pohjola performs targeted inspections pertaining to a certain security or a group of people.

OP-Services Ltd maintains the Insider Register by order of Pohjola. The "Public insider register – Pohjola as an issuer of shares" is available for inspection on the Company's website at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance. Other public insider registers are available for inspection at OP-Services Ltd, Sörnäistenkatu 1, Helsinki.

A list of those belonging to Pohjola's public insider register and shareholdings and other holdings of their related parties can be found at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance > Insider management > Insider Register.

## 11 Disclosure policy

The Series A shares of Pohjola Bank plc (Pohjola), the parent company of Pohjola Group, are listed on NASDAQ OMX Helsinki Ltd. Pohjola also regularly issues bonds, some of which are traded on the London Stock Exchange, SIX Swiss Exchange or other stock exchanges, in addition to or in place of the NASDAQ OMX Helsinki. In its disclosure policy, Pohjola mainly complies with Finnish laws, the rules of NASDAQ OMX Helsinki Ltd or another stock exchange and the regulations and instructions issued by the Finnish Financial Supervisory Authority.

Pohjola's Board of Directors has approved the Company's disclosure policy which describes the key principles and policies followed by Pohjola as a public limited company in its communication with capital market participants and other stakeholders.

The disclosure policy is available at [www.pohjola.com](http://www.pohjola.com) > Investor Relations > Corporate Governance > Disclosure Policy.

Pohjola's website address is [www.pohjola.com](http://www.pohjola.com).

## 12 Board of Directors and Group Executive Committee, and personal and other data on members

### 12.1 Pohjola Bank plc's Board of Directors 1.1.2013–31.12.2013



#### **Chairman (by virtue of law, the Articles of Association and his position)**

**Reijo Karhinen**, b. 1955

- Executive Chairman and CEO, OP-Pohjola Group, Vuorineuvos (Finnish honorary title)
- M.Sc. (Econ. & Bus. Adm.), Doctor Honoris Causa, Turku School of Economics
- Board member since 1994; Chairman of the Remuneration Committee
- Executive member dependent on the company and its major shareholder (OP-Pohjola)

#### **Other relevant positions:**

- Central Chamber of Commerce: Vice Chairman of the Board of Directors
- Savonlinna Opera Festival Ltd: Vice Chairman of the Board of Directors
- HelsinkiMissio: Chairman of the Delegation
- New Children's Hospital 2017 support association: Vice Chairman of the Board of Directors
- The Mannerheim Foundation: Member of the Board of Directors
- Unico Banking Group: Member of the Board

#### **Relevant previous experience:**

- OP Bank Group Central Cooperative: President 1997–2006, Executive Vice President 1994–96
- Kuopion Osuuspankki: Managing Director 1990–94
- Savonlinnan Osuuspankki: Managing Director 1988–90
- Varkauden Osuuspankki: Managing Director 1985–88
- Juvan Osuuspankki: Assistant Director 1979–84

#### **Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 56,540 on 1 January 2013 and 76,677 on 31 December 2013



#### **Vice Chairman (by virtue of the Articles of Association and his position)**

**Tony Vepsäläinen**, b. 1959

- Chief Business Development Officer and Deputy to Executive Chairman and CEO, OP-Pohjola Group Central Cooperative
- LL.M., eMBA
- Board member since 2007, Chairman of the Risk Management Committee, and Vice Chairman of the Remuneration Committee
- Executive member dependent on the company and its major shareholder (OP-Pohjola Group Central Cooperative)

#### **Other relevant positions: -**

#### **Relevant previous experience:**

- OP-Pohjola Group Central Cooperative: President 2007–10
- Tampereen Seudun Osuuspankki: Managing Director 1998–2006
- Turun Seudun Osuuspankki: Deputy Managing Director 1996–98
- Kuopion Osuuspankki: Bank Manager 1993–96
- Suomen Säästöpankki SSP Oy: Deputy to Area Manager 1992–93
- Pohjois-Savon Säästöpankki: Managerial duties 1985–92

#### **Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 11,655 on 1 January 2013 and 25,552 on 31 December 2013



**Merja Auvinen, b. 1960**

- Deputy Managing Director, Suur-Savon Osuuspankki
- M.Sc. (Econ. & Bus. Adm.), eMBA
- Board member since 2006 until 22 March 2013; Vice Chairman of the Audit Committee until 22 March 2013
- Executive member dependent on the company

**Other relevant positions:**

- Etelä-Savo Chamber of Commerce: Chairman of the Board of Directors since 2013

**Relevant previous experience:**

- Savonlinnan Osuuspankki: Managing Director 2001–11
- Kuopion Osuuspankki: Bank Manager 1992–2001
- Pohjois-Savon OP-Kiinteistökeskus Oy: Managing Director, in addition to her regular duties, 1992–93
- Savonlinnan Osuuspankki: Marketing Director 1989–92
- Nilsiä Osuuspankki: Bank Manager 1989, Marketing Manager 1987–89

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 3,937 on 1 January 2013 and 3,937 on 22 March 2013



**Jukka Hienonen, b. 1961**

- President and CEO, SRV Group Plc
- M.Sc. (Econ. & Bus. Adm.)
- Board member since 2009; Member of the Remuneration Committee
- Non-executive member

**Other relevant positions:**

- Helsinki Region Chamber of Commerce: Chairman of the Board of Directors since 2012
- Central Chamber of Commerce: Member of the Board of Directors since 2013

**Relevant previous experience:**

- Finnair Corporation: President and CEO 2005–10
- Stockmann Plc: Executive Vice President 2003–05, Director of Department Store Division 2001–05, and Director of Foreign Operations 1995–2000

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 15,712 on 1 January 2013 and 15,712 on 31 December 2013



**Jukka Hulkkonen, b. 1955**

- b. 1955
- Managing Director, Lounaismaan Osuuspankki, Kauppaneuvos (Finnish honorary title)
- M.Sc. (Forestry), eMBA
- Board member since 2012; Vice Chairman of the Risk Management Committee since
- Executive member dependent on the company

**Other relevant positions:**

- SSP Yhtiöt Oy: Chairman of the Board of Directors
- Finnet-liiton valtuuskunta: Second Vice Chairman

**Relevant previous experience:**

- Salon Osuuspankki: Managing Director 2009–13
- Salon Seudun Osuuspankki: Managing Director 1997–2009
- Joensuun Osuuspankki: Bank Manager 1989–96
- Kainuun Osuuspankki: Area Manager 1984–89
- Oulun Osuuspankki: Business Liaison Officer 1984
- Suur-Helsingin Osuuspankki: Branch Manager 1983

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 6,834 on 1 January 2013 and 9,310 on 31 December 2013



**Mircku Kullberg, b. 1962**

- Managing Director, Artek oy ab
- Diploma in Business and Administration
- IDBM (International Design Business Management)
- Board member since 2012; Member of the Audit Committee
- Non-executive member

**Other relevant positions:**

- KSF Media Ab: Member of the Board of Directors since 2010
- Puhelinosuuskunta LPO: Member of the Board of Directors since 2010
- Helsinki OP Bank Plc: Member of the Board of Directors since 2011
- Saga Furs Oyj: Member of the Board of Directors since 2012

**Relevant previous experience:**

- Nanso Oy: Brand Director 2002–05
- Grünstein Product Ab: Managing Director 1995–2002
- Turkistukku Oy: Export Manager, Product Manager 1992–95

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 0 on 1 January 2013 and 0 on 31 December 2013



**Marjo Partio**, b. 1956

- Kymenlaakson Osuuspankki: Managing Director
- M.Sc. (Econ. & Bus. Adm.), DBA
- Board member 2013, Vice Chairman of the Audit Committee since 22 March 2013
- Executive member dependent on the company

**Other relevant positions:**

- Member of the South-East Finland Regional Advisory Committee of the Federation of Finnish Industries since 2005
- Kouvola Innovation Ltd (owned by the City of Kouvola): Member of the Board of Directors since 2010

**Relevant previous experience:**

- Kouvolan Seudun Osuuspankki: Managing Director from 1996 until 31 May 2012, Bank Manager 1991-1995, Investment Manager 1989-1991
- Iitin Osuuspankki: Assistant Director 1985-1989, Marketing Manager, corporate banker 1981-1984

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 6,725 on 1 January 2013 and 9,185 on 31 December 2013



**Harri Sailas**, b. 1951

- b. 1951
- President and CEO, Ilmarinen Mutual Pension Insurance Company
- M.Sc. (Econ.)
- Board member since 2010, Member of the Risk Management Committee
- Executive member dependent on the company and its major shareholder (Ilmarinen Mutual Pension Insurance Company)

**Other relevant positions:**

- Finnish Pension Alliance TELLA: Chairman of the Board of Directors

**Relevant previous experience:**

- Nordea Bank Finland Plc: Head of Regional Bank 2004–06 and Deputy Managing Director, Head of Retail Banking Finland 2002–04
- MeritaNordbanken/Merita Bank Finland Plc: Deputy Managing Director, Head of Regional Bank 1998–2002
- Merita Bank Plc: District Director of Uusimaa 1995–98
- Kansallis-Osake-Pankki: Various duties 1975–95

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 0 on 1 January 2013 and 0 on 31 December 2013



**Tom von Weymarn, b. 1944**

- M.Sc. (Eng.)
- Board member since 2006, Chairman of the Audit Committee
- Non-executive member

**Other relevant positions:**

- K. Hartwall Oy Ab: Chairman of the Board of Directors
- Hartwall Capital Ltd: Chairman of the Board of Directors
- Sibelius Academy Foundation: Member of the Board of Directors
- IK Investment Partners Ltd: Senior Advisor
- Boardman Ltd: Partner
- Hydrios Biotechnology Oy: Member of the Board of Directors
- Oy Transmeri Ab: Chairman of the Board of Directors
- Finnsweet Oy: Member of the Board of Directors

**Relevant previous experience:**

- Oy Rettig Ab: President and CEO 1997–2004
- Cultor Plc: Executive Vice President 1991–97
- Oy Karl Fazer Ab: Director 1983–91, the last two years of this period as President and CEO
- Telko Oy: Managing Director 1981–83
- Oy Huber Ab: Executive Vice President 1975–81

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 1,650 on 1 January 2013 and 1,650 on 31 December 2013

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**12.2**

***Pohjola Bank plc's Executive Committee 1.1.2013–31.12.2013***

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**Jouko Pölönen, b. 1970**

**Chairman** (since 15 November 2013)

- Pohjola Bank plc: President and CEO
- Pohjola Bank plc: Group-level responsibility for private and corporate customer relationships
- OP-Pohjola Group-level responsibility for the development of non-life insurance business
- Pohjola Insurance Ltd: President
- Employed by Pohjola Group since 2001
- Member of Pohjola Group's Executive Committee since 2008
- M.Sc. (Econ. & Bus. Adm.), eMBA

**Relevant previous experience:**

- Pohjola Bank plc: CFO 2009–10
- Pohjola Bank plc: Chief Risk Officer 2001–08
- PricewaterhouseCoopers: Authorised Public Accountant 1999–2001 and auditor 1993–99

**Other relevant positions:**

- Non-life Insurance Executive Committee of the Federation of Finnish Financial Services: Member
- Federation of Accident Insurance Institutions: Chairman of the Board of Directors
- Insurance Europe Strategic Board: Member
- Unico Banking Group: Member of the Board of Directors
- OP-Pohjola Group Research Foundation: Member of the Board
- Kyösti Haataja Foundation: Member of the Board

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 7,862 on 1 January 2013 and 12,273 on 31 December 2013



**Mikael Silvennoinen**, b. 1956

- President and CEO, Pohjola Bank plc (until 14 November 2013)
- Employed by Pohjola Group since 1989. President and CEO of Pohjola Bank plc since 1997 and member of the Executive Board 1997–2006, Chairman of Pohjola Group's Executive Committee since 2006
- M.Sc. (Econ. & Bus. Adm.)

**Relevant previous experience:**

- Pohjola Group: Managing Director of various Group companies 1989–97
- Wärtsilä Group: various managerial positions 1983–89

**Other relevant positions:**

- Konecranes Plc: Member of the Board of Directors
- The Finnish Foundation for Share Promotion: Member of the Board of Directors

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 50,514 on 1 January 2013 and 65,357 on 31 December 2013
- 



**Vesa Aho**, b. 1974

- CFO, Pohjola Bank plc
- Employed by Pohjola Group since 2001
- Member of Pohjola Group's Executive Committee since 2011
- M.Sc. (Econ. & Bus. Adm.)

**Relevant previous experience:**

- Pohjola Bank plc: Various supervisory and managerial duties 2006–10

**Other relevant positions:** -

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 660 on 1 January 2013 and 1,918 on 31 December 2013
- 



**Karri Alameri**, b. 1963

- President, Pohjola Asset Management Ltd, OP-Pohjola Group-level responsibility for the development of wealth management business
- Employed by OP-Pohjola Group since 2009
- Member of Pohjola Group's Executive Committee since 2012
- B.Sc. (Econ. & Bus. Adm.), CEFA

**Relevant previous experience:**

- OP Life Assurance Company Ltd: Deputy CEO, Chief Investment Officer 2009–12
- Danske Capital, Sampo Bank plc: Deputy Managing Director 2007–08
- Mandatum Asset Management Ltd: Deputy Managing Director 2004–06
- Carnegie Asset Management Finland Ltd: Chief Investment Officer 1997–2003

**Other relevant positions:**

- Securities Committee of the Federation of Finnish Financial Services: Chairman

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 2,000 on 1 January 2013 and 4,469 on 31 December 2013
-



**Hannu Jaatinen**, b. 1957

- Acting Executive Vice President, Banking (since 28 October 2013), Group-level responsibility for major corporate and institutional customers, Pohjola Bank plc
- Employed by Pohjola Group since 2001
- Member of Pohjola Group's Executive Committee since 2013 M.Sc. (Econ. & Bus. Adm.), eMBA

**Relevant previous experience:**

- Head of Corporate Banking, Pohjola Bank plc, since 2008
- Expert, supervisory and managerial positions at Pohjola Bank plc, OP-Pohjola Group Central Cooperative and OP Bank Group Mutual Insurance Company between 1985 and 2008

**Other relevant positions:**

- Unico Banking Group: Member of the Executive Committee

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 9,279 on 1 January 2013 and 9,279 on 31 December 2013
- 



**Tarja Ollilainen**, b. 1960

- Senior Executive Vice President, Human Resources, Pohjola Bank plc
- Employed by Pohjola Group since 2003
- Member of Pohjola Group's Executive Committee
- M.Sc. (Econ. & Bus. Adm.)

**Relevant previous experience:**

- Pohjola Bank plc: Senior Vice President, Investor Relations 2008–11
- Pohjola Bank plc: Securities Ltd, Senior Vice President 2003–08
- Danske Securities AB, Helsinki Branch: General Manager 2001–02
- Student Union of the Helsinki School of Economics: Finance Director 1995–2000
- Skandinaviska Enskilda Banken, Enskilda Securities: 1994–95
- Sp-Brokers Ltd: Managing Director 1991–94
- SKOP/Skopbank: Assistant Vice President, Section Chief, stock exchange dealer, Trainee for financial sector 1986–91

**Other relevant positions:** –

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 2,288 on 1 January 2013 and 3,851 on 31 December 2013
-



**Reima Rytsölä, b. 1969**

- Senior Executive Vice President, Banking (until 28 October 2013), Pohjola Bank plc
- Employed by Pohjola Group since 1996
- Member of Pohjola Group's Executive Committee since 2008 M.Soc.Sc., CEFA, AMP (Harvard)

**Relevant previous experience:**

- Pohjola Bank plc and its subsidiaries: Various managerial duties 1998–2007 and chief dealer, domestic money market, 1996–97
- Merita Plc: Foreign exchange dealer 1994–96

**Other relevant positions: -**

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 5,000 on 1 January 2013 and 11,736 on 28 October 2013
- 



**Petri Viertiö, b. 1962**

- CRO, Pohjola Bank plc
- Employed by Pohjola Group since 2009
- Member of Pohjola Group's Executive Committee since 2009
- M.Sc. (Tech.). AMP (Insead)

**Relevant previous experience:**

- Ernst & Young: Director 2007–09, Advisory Services
- Sampo plc: Chief Risk Officer 2002–07
- Sampo Bank plc: Chief Risk Officer 2000–01
- Varma-Sampo: Risk Manager 1999–2000
- Leonia Group: Various managerial positions 1997–99

**Other relevant positions: -**

**Holdings in Pohjola shares and share-based entitlements:**

- No. of Series A shares: 3,950 on 1 January 2013 and 7,664 on 31 December 2013
-