

Corporate Governance Statement 2019

MuniFin

A. Introduction

This statement on MuniFin's (hereinafter "MuniFin" or "the Company") Corporate Governance in 2019 is in compliance with Chapter 7, Section 7 of the Securities Markets Act (746/2012). This statement is provided here as a comprehensive description of MuniFin's Corporate Governance, separate from the Report of the Board of Directors.

According to Chapter 7, Section 7, of the Act on Credit Institutions (610/2014), a credit institution shall keep an account of how it complies with the provisions of Chapter 7, Sections 1–5 of this Act available on its website. The following describes compliance with the said provisions with regard to MuniFin.

The operations of MuniFin are governed by legislation on credit institutions (the Finnish Act on Credit Institutions, 610/2014, and the EU Capital Requirements Regulation, EU 575/2013, are centrally important) and related supervisory guidelines that include a substantial number of requirements for corporate governance that MuniFin complies with in its operations. The most significant supervisory guidelines with a bearing on the Company's governance and this report are the European Banking Authority's Guidelines on Internal Governance as well as Guidelines on the disclosure requirements of Part Eight of Regulation (EU) No. 575/2013. These are available from www.eba.europa.eu.

In addition to these MuniFin's governance structure follows, partially, the Finnish Corporate Governance Code for listed companies published by the Finnish Securities Market Association. The code concerns Finnish listed companies i.e. companies, of which shares are listed on the Helsinki Stock Exchange. As MuniFin is solely an issuer of listed bonds and its shares are not subject to public trading, applying the Finnish Corporate Governance Code for listed companies in its entirety is not appropriate. However, the key elements of MuniFin's governance practices are in line with the recommendations of the code. MuniFin's reporting related to remuneration does not completely correspond to the recommendations of the code that came into force in the beginning of 2020, because the recommendations derived from the Limited Liability Companies Act concern listed companies. In relation to the remuneration reporting, MuniFin complies with specific reporting requirements that concern credit institutions. Therefore, it is not appropriate, in addition to these requirements, to comply with a code that is not targeted at a company like MuniFin. Bonds issued by the Company are listed in exchanges operating in London, Helsinki, Dublin, Zürich and Taipei. The Finnish Corporate Governance Code for listed companies is available at www.cgfinland.fi. The latest update to the code came into force 1 January 2020. In addition to this document, descriptions related to MuniFin's administration and management are available at the Company's website.

The Board of Directors of MuniFin reviewed this statement at its meeting on 13 February 2020. This statement and the Company's Annual Report for 2019, including the financial statements, Report of the Board of Directors and Auditor's Report, are available on the Company's website. The auditor has reviewed this statement and has not noted any discrepancies between the statement and the financial statements.

B. Corporate governance

1. Ownership and legal structure

MuniFin is a public company as referred to in the Finnish Limited Liability Companies Act (624/2006).

MuniFin is owned by Finnish municipalities and entities controlled by them (53%), Keva (31%) and the Finnish government (16%). According to the Articles of Association, without the Company's consent, its share may not be acquired by transfer other than by Keva, the municipalities, joint municipality boards, central municipal organizations, corporations owned completely or on a majority basis by municipalities, and companies owned by such corporations. The Company's Board of Directors shall decide whether to grant said consent. There has been no material changes to the Company's ownership structure during the financial year. The Company is not aware of any shareholders' agreements that would affect its operations.

MuniFin holds a credit society's authorisation as referred to in the Act on Credit Institutions and the Company's operations are monitored by the European Central Bank and the Finnish Financial Supervisory Authority.

2. Management structure of the Company

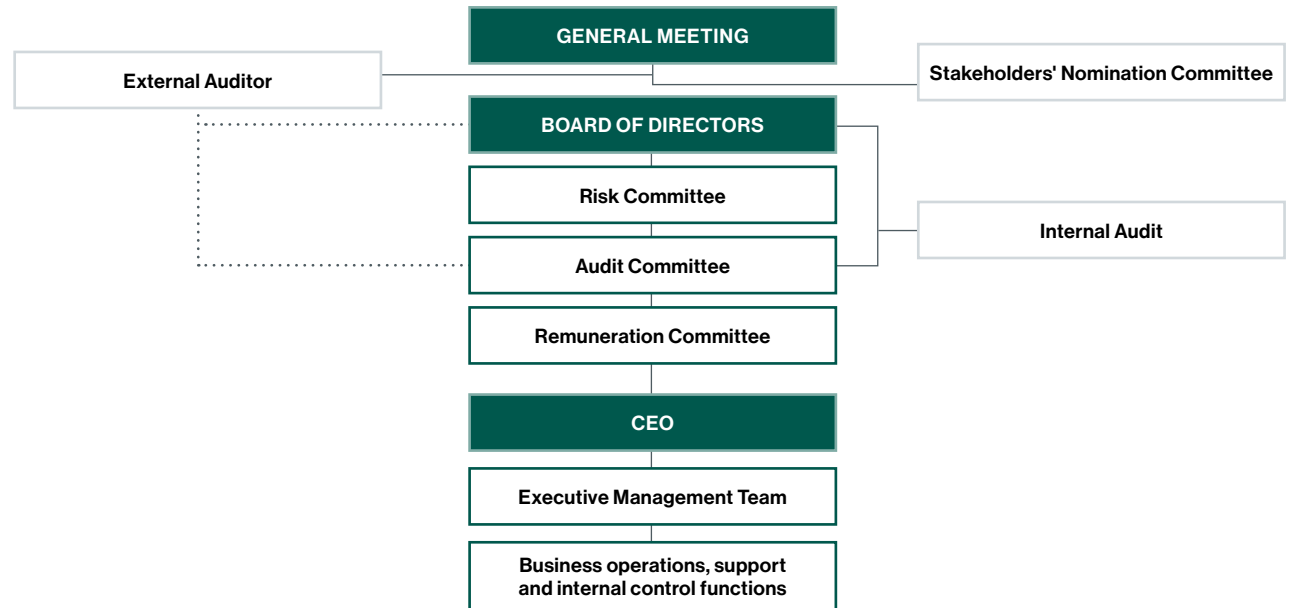
The Company has a strategy approved by the Board of Directors according to which the Company's business operations, risk management and corporate governance are managed. The Company also has operating policies approved by the Board of Directors, which function as key principles

for the Company's risk management and internal control. The Company also has a considerable amount of other internal operational guidelines in support of the arrangement of governance and risk management.

The previously mentioned operating policies approved by the Board of Directors include the Corporate Governance Policy of MuniFin, which is updated regularly. The most recent update to this policy was made in March 2019.

The Corporate Governance Policy and the Responsibility Policy ratified by the Board of Directors also contain principles on the management of conflicts of interest.

The following chart is a general illustration of the administrative structure of MuniFin. Solid arrows indicate formal reporting responsibility while dotted arrows indicate agreed additional/parallel reporting methods.



3. General Meeting

The Limited Liability Companies Act and the Articles of Association of MuniFin define issues concerned in the Annual General Meeting. All shareholders have the right to attend the General Meeting and exercise their right of speech and vote with the shares in their ownership, each share entitling the owner to one vote.

The Annual General Meeting must be held annually before the end of April on a date set by the Board of Directors. In 2019 the Annual General Meeting was held on 28 March 2019. At the Annual General Meeting, there were 28 participants representing 29,417,311 shares and votes, which corresponds to 75.31 per cent of the total number of shares and votes.

4. Shareholders' Nomination Committee

MuniFin has a Shareholders' Nomination Committee established by the General Meeting, which is annually in charge for making a proposal to the Annual General Meeting on the number of members of the Board of Directors, candidates for election to the Board of Directors and their remuneration. In addition, the Nomination Committee makes a proposal on the election of the Chairman and Vice Chairman of the Board of Directors. The proposal is made to the Board of Directors elected at the Annual General Meeting.

In this work, the Nomination Committee shall take into account the requirements set in the regulation for the governance of a credit institution, including competence, experience and other suitability related requirements for members of the Board of Directors, the nature of the

Company's business operations and its ownership structure. The Shareholders' Nomination Committee has confirmed its rules of procedure, which includes more detailed descriptions of the principles that shall be followed in order to comply with the objectives and tasks set by legislation and the General Meeting for the Shareholders' Nomination Committee.

According to the decision of the General Meeting, the Shareholders' Nomination Committee comprises four members. The Company's three largest shareholders each nominate one member and the Association of Finnish Local and Regional Authorities nominates one member. The three largest shareholders are Keva, the Republic of Finland and the City of Helsinki.

The members of the Shareholders' Nomination Committee at the end of the 2019 financial year were:

- Timo Kietäväinen (Managing Director, Keva), Chairman
- Minna Karhunen (CEO, Association of Finnish Local and Regional Authorities)
- Sami Sarvilinna (City Manager, City of Helsinki)
- Maija Strandberg (Senior Financial Counsellor, Prime Minister's Office, Government Ownership Steering Department)

The Shareholders' Nomination Committee convened for the 2019 Annual General Meeting and made the required proposals to the Annual General Meeting. The Annual General Meeting approved the proposals as submitted. The proposals made to the 2020 Annual General Meeting and the Board of Directors to be elected at the meeting will be published

as an appendix to the invitation to the 2020 Annual General Meeting and made available on the Company's website.

No remuneration is paid to the members of the Shareholders' Nomination Committee.

5. The Board of Directors

5.1. Duties of the Board of Directors

The Board of Directors is responsible for the Company's management and the proper arrangement of its operations. The Board of Directors is responsible for the duties specified for it in the Limited Liability Companies Act, the Articles of Association and other legislative provisions and regulations issued by the authorities. Duties and principles of the Board of Directors are confirmed as part of MuniFin's Corporate Governance Policy and the appended Board's Rules of Procedure. The main duties of the Board include confirming the Company's strategy, annual operating plan and budget, monitoring the Company's financial situation and ensuring through supervision that the Company's management, and risk management in particular, are properly arranged by management. The Board of Directors also makes decisions on issues that are of general scope in regards to the nature and extent of the activities.

The external and internal audit report to the Audit Committee and the Board of Directors, which ensures that the Board of Directors receives independent information on the status of the Company. The Board confirms the Company's values and ethical operating principles and other key policies that guide operations. The Board of Directors is responsible for

the appointment and termination of employment of the CEO and Deputy to the CEO and decides on their remuneration and benefits. In addition, the Board of Directors approves the appointment and remuneration and benefits of persons reporting to the CEO. The Board of Directors decides on the principles of the remuneration system for the whole Company.

In the 2019 financial year, the Board of Directors has discharged its duties as set out in legislation and the Company's risk management principles. The Board of Directors assessed the Company's strategy, but no material changes were made during the year. The Board of Directors has actively followed the development of business, based on for example analyses on different products and services, and essential projects concerning the operational environment of the Company, including the phases of the social and healthcare reform as well as the policies of the new Government Programme and its potential impacts on the Company's customer base. The legislation that affects the Company's operations is constantly developing, and Board of Directors has actively estimated the impacts of the potential amendments to the Company's operations. MuniFin is actively modernising its information systems. Due to the scope of the projects, the Board of Directors has made decisions on information system investments (for example the system that supports the management of the life span of lending and the project concerning the outsourcing of IT infrastructure). Before the decision making, the Audit Committee of the Board has reviewed the projects in detail. The Board of Directors and its Committees have actively followed IFRS regulation related accounting and development measures.

5.2. Composition of the Board of Directors and the term of office

Under the Articles of Association, the Board of Directors has a minimum of five and a maximum of nine members. The Articles of Association were updated at the Annual General Meeting in spring 2019 by increasing the maximum amount of the Board members from eight to nine.

The Annual General Meeting elects the members of the Board and each member's term of office will terminate when the Annual General Meeting following their election concludes.

Each year, the Shareholders' Nomination Committee prepares a proposal to the Annual General Meeting concerning the composition of the Board of Directors.

The Board of Directors shall always operate independently, taking into account the interests of the Company and all shareholders.

The Board will elect a Chairman and a Vice Chairman from among its members and their term of office will last until the conclusion of the Annual General Meeting following their election. The Shareholders' Nomination Committee will make a proposal to the Board-to-be-elected, on the Chairman and the Vice Chairman.

There is no rotation system for retiring members of the Board of Directors and a member for a previous term can be re-elected. A new Board member can be elected at the Annual General Meeting or at an extraordinary meeting

of shareholders to take, for the remainder of the term of office, the place of a member who has resigned or become permanently incapable of performing the duties of a board member. However, in preparing their proposal for the composition of the Board of Directors, the Shareholders' Nomination Committee strives to take into account the requirements with regard to rotation of the Board members.

5.3. Suitability of Board members and diversity of the Board of Directors

With regard to the members of the Board of Directors, each person's integrity and competence is always assessed before the person is finally selected or before they take up their duties, as separately prescribed in the applicable legislation and guidelines issued by authorities.

The composition of the Board of Directors is planned with a long-term view. Members of the Board must also have specific familiarity with the activities of a credit institution as well as the statutory requirements and risks concerning credit institutions. When planning its proposal for the composition of the Board of Directors, the Shareholders' Nomination Committee shall also take into account professional competence and the independency requirements of the Board and the person's ability to use enough time to fulfil their duties.

No maximum age limit has been set for Board members and the Company has not set targets for the age distribution of the Board.

Effective Board work requires that a diverse range of expertise, knowledge and experience is represented on the Board of Directors. The Annual General Meeting, held on 23 March 2011, decided on permanent establishment of the Shareholders' Nomination Committee and defined that the proposal for the composition of the Board of Directors shall take into account understanding on operational environment, capital markets, financing related risks, customers and owners and general operational experience on corporate governance.

Regulations in force set requirements for the diversity of the composition of the Board of Directors and for disclosing potential targets, if any, related to diversity. The referred decision of the General Meeting concerning elements to be taken into account in relation to the composition of the Board of Directors does not include more detailed targets. The Shareholders' Nomination Committee shall consider, based on these elements and regulations in force, more detailed knowledge areas, which needs to be taken into account in the Composition of the Board of Directors. These more detailed elements to be considered are e.g. knowledge of Finnish municipal and public sector, social housing, credit granting, various financial instruments, accounting and international accounting standards, banking regulation and internal controls and external audit. Due to the number and complexity of different factors, and the limited number of Board members, the Shareholders' Nomination Committee and the Board of Directors have not set exact targets for these subareas with respect to the composition of the Board, but instead assess Board composition as a whole with respect to these issues.

The target is to have a composition that best serves MuniFin's business taking into account its special features and changes in the business environment. Both the Shareholders' Nomination Committee and the Board of Directors have assessed that the composition of the Board of Directors meets these requirements well.

The Company has not set objectives for geographical representation on the Board of Directors, but the Nomination Committee has deemed it important, in view of the Company's business model, for the members of the Board of Directors to be familiar with Finnish society and public sector activities, even if they have not worked professionally in that sector.

With respect to independence, the Board of Directors has specified as part of the Corporate Governance Policy that a majority of Board members must be independent of the Company and its largest owners (more than 10%). The composition of the Board of Directors in the 2019 term fulfils this requirement. Independence is evaluated based on the European Banking Authority guidelines and the Finnish Corporate Governance Code.

The composition of the Board of Directors also takes into account equal representation of both genders. The Shareholders' Nomination Committee has set a target according to which representatives of both genders shall be minimum of 40%. This corresponds to the Act on Equality in force. The composition of the Board of Directors in 2019 did not meet this target since the 2019 Annual General Meeting decided according to the proposal of the Shareholders'

Nomination Committee to appoint for the term 2019-2020 a composition where 66.7% of Board members were female and 33.3% male. The Committee has considered this acceptable as the composition of the Board of Directors generally changes to some extent each year and for this reason there may be differences between individual years and targets that will even out over the long term. In case the Annual General Meeting 2020 accepts the Nomination Committee's proposal for the composition of the Board of Directors for the term 2020-2021, the gender composition will change to 50% female members and 50% male members.

The executive management together with the Chairman of the Board takes care of making new Board members adequately familiar with the duties of a Board member, the Company's business operations and the risks involved in its operations. In addition, the Board of Directors adopts an education programme each year to ensure that it possesses all times the necessary expertise to address changes in the business environment and development of the Company's business operations.

5.4. Composition of the Board of Directors at the end of the 2019 financial year

In accordance with the proposal of the Shareholders' Nomination Committee, the 2019 Annual General Meeting elected the persons listed below to the Board of Directors for the 2019–2020 term (from the end of the Annual General Meeting to the end of the next Annual General Meeting).

The table below includes information based on the Directive 2013/36/EU ("CRD") Article 91 and the Finnish Act on Credit Institutions Section 7, Paragraph 5 on number of directorships regarding the members of the Board of Directors. According to this regulation a Board member or the CEO with a full-time service or employment contract with a significant credit institution may hold a maximum of two other types of Board memberships and a Board member in other than full-time employment or service position a maximum of four Board memberships. MuniFin Board membership is counted as one non-executive directorship. The calculation does not take into account duties that involve entities that do not pursue commercial objectives (non-commercial entities). Additionally, directorships within the same group shall count as a single directorship (see detailed information under CRD Article 91). Members of the Board of Directors met these requirements in 2019.

<i>Name</i>	Helena Walldén , Chairperson
<i>Year of birth</i>	1953
<i>On the Board of Directors since</i>	2016, also Chair of the Board since 2016
<i>Education</i>	M.Sc. (Eng)
<i>Primary occupation</i>	Board professional
<i>Previous key work history and positions of trust</i>	Long and diverse experience of tasks at a large banking corporation (OP Pohjola, 1976-2008, out of which 14 years in executive board and management team positions) and Board work at several companies (e.g. Fingrid Oyj, Oy Alko Ab, Apetit Oyj) prior to joining MuniFin.
<i>Other material positions of trust</i>	No other positions
<i>Number of directorships as defined by the CRD</i>	1 (membership of the Board of MuniFin), does not exceed the permitted number, no other directorships to be taken into account.
<i>Independence</i>	Independent of the Company and its significant shareholders

<i>Name</i>	Maaria Eriksson
<i>Year of birth</i>	1967
<i>On the Board of Directors since</i>	2019
<i>Education</i>	M.Sc. (Econ), CEFA
<i>Primary occupation</i>	Deputy CIO, Head of External Fixed Income, Keva
<i>Previous key work history and positions of trust</i>	Long and diverse experience in capital market tasks at Keva, Finland's largest occupational pension insurance company (since 1998) and before that as portfolio manager and economist in the banking sector (Merita 1996-1998) and as an economist at the Bank of Finland (1994-1996).
<i>Other material positions of trust</i>	<ul style="list-style-type: none"> Member of the Advisory Committee for Investments of the University of Oulu (non-commercial) Kannelmäki school (grades 1-9), Chairman of the Board (non-commercial)
<i>Number of directorships as defined by the CRD</i>	1 (membership of the Board of MuniFin), does not exceed the permitted number, no other directorships to be taken into account.
<i>Independence</i>	Independent of the Company, not independent of its significant shareholders (works for a significant shareholder)

<i>Name</i>	Raija-Leena Hankonen
<i>Year of birth</i>	1960
<i>On the Board of Directors since</i>	2019
<i>Education</i>	Education: M.Sc. (Econ.), APA
<i>Primary occupation</i>	Board professional
<i>Previous key work history and positions of trust</i>	Long and diverse experience of auditing and advisory services especially in the large companies and financial sector (KPMG, 1987-2019). Has also acted as the CEO and the Chair of the Board of Directors of KPMG Finland.
<i>Other material positions of trust</i>	<ul style="list-style-type: none"> Brigadeiro Holding Oy, member of the Board of Directors (non-commercial) Savonlinna Opera Festival Patron's Association, member of the Board of Directors (non-commercial) Savonlinna Opera Festival Ltd, member of the Board of Directors Helsinki Deaconess Institute Foundation sr, Board member (non-commercial) Jalmari ja Rauha Ahokkaan säätiö sr, Chairman of the Administrative Board (non-commercial)
<i>Number of directorships as defined by the CRD</i>	2 (membership of the Board of MuniFin and one other position), does not exceed the permitted number, no other directorships to be taken into account.
<i>Independence</i>	Independent of the significant shareholders, not independent from the Company (has worked for the Company's audit firm)

<i>Name</i>	Minna Helppi
<i>Year of birth</i>	1967
<i>On the Board of Directors since</i>	2017
<i>Education</i>	MBA
<i>Primary occupation</i>	Senior Vice President, Group Treasurer, Metso Corporation
<i>Previous key work history and positions of trust</i>	Long and diverse experience as a senior executive at listed companies and in corporate finance activities (Uponor and Andritz, 2004-2012) and before that in the banking sector (Nordea 1989-2004) in positions involving project financing, for instance.
<i>Other material positions of trust</i>	<ul style="list-style-type: none"> • Metso Lithuania UAB, member of the Board of Directors (group company of the Metso Corporation, part of the primary occupation) • Rauma Oy, chair of the Board of Directors (part of Metso Group, company currently non-active, part of the primary occupation)
<i>Number of directorships as defined by the CRD</i>	2 (membership of the Board of MuniFin, another Board membership in a company that is part of the primary occupation company's group, which are calculated as one), does not exceed the permitted number, no other directorships to be taken into account.
<i>Independence</i>	Independent of the Company and its significant shareholders

<i>Name</i>	Markku Koponen
<i>Year of birth</i>	1957
<i>On the Board of Directors since</i>	2018
<i>Education</i>	Master of Laws, Trained on the bench, EMBA
<i>Primary occupation</i>	Board professional
<i>Previous key work history and positions of trust</i>	Long and diverse experience of various tasks at one of the largest banking groups in Finland, particularly communications, legal affairs and banking regulation (OP Pohjola, 1985-2017 out of which over 20 years in executive board and board of directors duties).
<i>Other material positions of trust</i>	No other positions
<i>Number of directorships as defined by the CRD</i>	1 (membership of the Board of MuniFin), does not exceed the permitted number, no other directorships to be taken into account.
<i>Independence</i>	Independent of the Company and its significant shareholders

<i>Name</i>	Jari Koskinen
<i>Year of birth</i>	1960
<i>On the Board of Directors since</i>	2017
<i>Education</i>	M.A. (Pol. Sci.)
<i>Primary occupation</i>	Independent Consultant, Rapidaile Oy
<i>Previous key work history and positions of trust</i>	Long experience in the Finnish Government and public sector as the Minister of Agriculture and Forestry (2011-2014, 2002-2003) and as a Member of Parliament (1996-2009). Experience of international finance at the European Bank for Reconstruction and Development (2009-2011). The CEO of the Association of Finnish Local and Regional Authorities 2015-2019.
<i>Other material positions of trust</i>	<ul style="list-style-type: none"> • Suomen Puukerrostalot Oy (Finnish Wooden Tall Buildings), member of the Board of Directors
<i>Number of directorships as defined by the CRD</i>	2 (membership of the Board of MuniFin, membership of the Board of another company), does not exceed the permitted number, no other directorships to be taken into account.
<i>Independence</i>	Independent of the Company and its significant shareholders

<i>Name</i>	Kari Laukkanen
<i>Year of birth</i>	1964
<i>On the Board of Directors since</i>	2018
<i>Education</i>	M.Sc. (Econ.)
<i>Primary occupation</i>	Board professional and financial consultant (Lauvest Oy, CEO, Chair of the Board of Directors, consultancy company owned by Kari Laukkanen, not a full time position)
<i>Previous key work history and positions of trust</i>	Long and diverse international banking experience in various positions at a global banking group (Citigroup, 1990-2016, last 13 years Managing Director, Citi Country Officer of the Finnish branch).
<i>Other material positions of trust</i>	<ul style="list-style-type: none"> • Bankify Oy, member of the Board of Directors • Nuori Yrittäjyys ry, Chairman of the Board of Directors (non-commercial entity) • Emitter Oy, Chairman of the Board of Directors
<i>Number of directorships as defined by the CRD</i>	3 (membership of the Board of MuniFin and 2 other membership of the Board in one other company), does not exceed the permitted number, no other directorships to be taken into account
<i>Independence</i>	Independent of the Company and its significant shareholders

<i>Name</i>	Vivi Marttila
<i>Year of birth</i>	1966
<i>On the Board of Directors since</i>	2016
<i>Education</i>	M.Sc. (Econ), APA, CPFA
<i>Primary occupation</i>	Mayor of the municipality of Simo
<i>Previous key work history and positions of trust</i>	Long and diverse experience of auditing in the public sector and at listed companies (1990-2001 and 2011-2015) as well as a city finance director (2001-2011).
<i>Other material positions of trust</i>	<ul style="list-style-type: none"> LähiTapiola Lappi Keskinäinen Vakuutusyhtiö, member of the Board of Directors
<i>Number of directorships as defined by the CRD</i>	2 (membership of the Board of MuniFin, membership of the Board of another company), does not exceed the permitted number, no other directorships to be taken into account.
<i>Independence</i>	Independent of the Company and its significant shareholders

<i>Name</i>	Tuula Saxholm , Vice-Chairperson
<i>Year of birth</i>	1961
<i>On the Board of Directors since</i>	2013, Vice-Chairperson since 2018
<i>Education</i>	M.Sc. (Econ)
<i>Primary occupation</i>	Finance Director, City of Helsinki
<i>Previous key work history and positions of trust</i>	Long and diverse experience of the administration of a large city in various positions (City of Helsinki, 1991-), including a significant amount of Board experience in a variety of public sector-owned companies.
<i>Other material positions of trust</i>	<ul style="list-style-type: none"> Metropolia Ammattikorkeakoulu Oy (Helsinki Metropolia University of Applied Sciences), member of the Board of Directors, (affiliated company of City of Helsinki, non-commercial entity) Helsingin kaupungin asunnot Oy, member of the Board of Directors, (part of the primary occupation, belonging to the group of the City of Helsinki) Helsingin Leijona Oy, member of the Board of Directors (part of the primary occupation, belonging to the group of the City of Helsinki) Helsingin Satama Oy (Port of Helsinki), member of the Board of Directors (part of the primary occupation, belonging to the group of the City of Helsinki) Pääkaupunkiseudun Junakalusto Oy, Chair of the Board of Directors (part of the primary occupation, belonging to the group of the City of Helsinki) HYKSin kliiniset palvelut Oy, member of the Board of Directors Taloushallintopalvelu-liikelaitos (Financial Administration Services), Chair of the Management Board (part of the primary occupation)
<i>Number of directorships as defined by the CRD</i>	3 (membership of the Board of MuniFin, three Board memberships calculated as one due to group relationships, and one separate membership of the Board of another company), does not exceed the permitted number, no other directorships to be taken into account
<i>Independence</i>	Non-independent of the Company and its significant shareholders (works for a significant shareholder and customer)

5.5. Changes in the composition of the Board of Directors 2019

Maaria Eriksson and Raija-Leena Hankonen were elected to the Board of Directors for the first time in the 2019 Annual General Meeting. Other Board members acted on the Board of Directors also during the previous term of office (whole year of 2019). Fredrik Forssell was a Board member until the 2019 Annual General Meeting.

Raija-Leena Hankonen has as of 21 February 2020 resigned from the Board of Directors, including its Committees, as she is proposed to be elected to the Board of Directors of Danske Bank A/S. According to MuniFin's Articles of Association, a member of the Board of Directors may not belong to the management of another credit institution.

5.6. Meetings of the Board of Directors

The Company's Board of Directors has confirmed its rules of procedure. The Board will convene upon the summons of the Chairman as often as Company business requires. During the 2019 financial year the Board of Directors convened 14 times. The average attendance rate of Board members at these meetings was 99%. The Board conducts an annual self-assessment of the effectiveness and quality of its work and performance of its duties.

The individual attendance rates of the Board members in the meetings for the 2019 financial year were as follows:

Helena Walldén	100%
Maaria Eriksson*	100%
Fredrik Forssell**	100%
Raija-Leena Hankonen*	100%
Minna Helppi	100%
Markku Koponen	100%
Jari Koskinen	93%
Kari Laukkanen	100%
Vivi Marttila	100%
Tuula Saxholm	100%

*Elected to the Board of Directors at the 2019 Annual General Meeting, and the attendance rate has been calculated for the meetings after the commencement of the membership

**Board member until 28 March 2019, and the attendance rate has been calculated for the meetings before that date

The CEO and Secretary of the Board of Directors participated regularly in meetings of the Board of Directors.

5.7. Composition of the Board of Directors for the term 2020 - 2021

The Shareholders' Nomination Committee has made a proposal for the composition of the Board of Directors for the term commencing at the end of the 2020 Annual General meeting and ending at the conclusion of the Annual General Meeting following the election (2021). The proposal is attached to the invitation to the Annual General Meeting, published on 4 March 2020.

The Shareholders' Nomination Committee will propose a total of eight (8) members to be elected to the Board of Directors. Minna Helppi and Jari Koskinen, current members of the Board of Directors, are not available to the Board of Directors for the next term. The Shareholders' Nomination Committee proposes that the current members Maaria Eriksson, Markku Koponen, Kari Laukkanen, Vivi Marttila, Tuula Saxholm and Helena Walldén be re-elected and new members Denis Strandell and Kimmo Viertola be elected for the period starting at the end of the Annual General Meeting.

Background information on the proposed new members
(information on key positions of trust as at February 2020):

<i>Name</i>	Denis Strandell
<i>Year of birth</i>	1958
<i>On the Board of Directors since</i>	Proposed to be elected to the Board of Directors at the Annual General Meeting in spring 2020
<i>Education</i>	M.Sc. (Econ)
<i>Primary occupation</i>	Mayor, City of Hanko
<i>Previous key work history and positions of trust</i>	Long and diverse experience of capital markets and providing investment services at banking and investment service groups in Finland and in the Nordics (1986 – 2011, Protos, Aktia, Unibank, Danske Bank, FIM). Long experience (from 2000) of the administration of the Finnish municipality sector from the City Council and Board of Kirkkonummi, before the position as the Mayor of the City of Hanko (from 2015).
<i>Other material positions of trust</i>	• C-Fiber Hanko Oy, member of the Board of Directors
<i>Number of directorships as defined by the CRD</i>	2 (membership of the Board of MuniFin and another membership of the Board), does not exceed the permitted number, no other directorships to be taken into account.
<i>Independence</i>	Independent of the Company and its significant shareholders

<i>Name</i>	Kimmo Viertola
<i>Year of birth</i>	1961
<i>On the Board of Directors since</i>	Proposed to be elected to the Board of Directors at the Annual General Meeting in spring 2020
<i>Education</i>	M.Sc. (Econ)
<i>Primary occupation</i>	Director General, the Government Ownership Steering Department
<i>Previous key work history and positions of trust</i>	Long and diverse experience of venture capital investment (Suomen Teollisuussijoitus Oy 1998 – 2017), domestic and international corporate funding, acquisitions (FennoScandia Bank 1989 – 1992, Skopbank 1993 – 1994, PriceWaterhouse 1995 – 1998) and Board work as part of the current (from 2018) and previous duties.
<i>Other material positions of trust</i>	<ul style="list-style-type: none"> • Solidium Oy, member of the Board of Directors • Fortum Corporation, Chairman of the Nomination Board (non-commercial) • Neste Corporation, Chairman of the Nomination Board (non-commercial)
<i>Number of directorships as defined by the CRD</i>	2 (membership of the Board of MuniFin and another membership of the Board), does not exceed the permitted number, no other directorships to be taken into account.
<i>Independence</i>	Independent of the Company, non-independent of its significant shareholders (works for a significant shareholder)

5.8. Board Committees

MuniFin is, based on the Act on Credit Institutions, another significant credit institution (O-SII) and the Board of Directors has, as required by the legislation, established Audit, Risk and Remuneration Committees. The Board appoints, from among its own members, the chairmen and the members of these Committees. Committees regularly report to the Board of Directors on their activities.

The purpose of the Audit Committee, as a preparatory body, is to assist the Board of Directors in duties related to financial reporting and internal control. The Audit Committee supervises work of the external and internal audit.

The Audit Committee convened a total of ten (10) times during the financial year, and the average attendance rate was 100%.

The members of the Audit Committee at the end of the financial year, and their individual attendance rates in the meetings for the 2019 financial year were:

Markku Koponen (Chairman)	100%
Raija-Leena Hankonen*	100%
Kari Laukkanen	100%
Vivi Marttila	100%

*Elected to the Board of Directors 28 March 2019, and the attendance rate has been calculated for the meetings after the commencement of the membership

The meetings of the Audit Committee were also regularly attended by the CEO, the Secretary of the Committee, the CFO, the Head of Internal Audits and the lead audit partner.

In accordance with the Act on Credit Institutions, the Risk Committee assists the Board in the matters in regards to the institution's overall risk appetite and strategy, and in overseeing that the management complies with the risk strategy decided by the Board. The Risk Committee is to estimate whether the prices for the services that tie up capital correspond with the institution's business model and risk strategy and if not, to present a remedy plan to the Board. Furthermore, the Risk Committee shall assist the Remuneration Committee in the establishment of impeccable remuneration policies, and to assess whether the incentives provided by the remuneration system take into consideration the institution's risks, capital and liquidity requirements, and the likelihood and timing of the earnings.

The Risk Committee convened a total of nine (9) times during the financial year, and the average attendance rate was 100%.

The members of the Risk Committee at the end of the financial year, and their individual attendance rates in the meetings for the 2019 financial year were:

Kari Laukkanen (Chairman)	100%
Maaria Eriksson*	100%
Raija-Leena Hankonen*	100%
Minna Helppi	100%

* Elected to the Board of Directors at the 2019 Annual General Meeting, and the attendance rate has been calculated for the meetings after the commencement of the membership

Fredrik Forssell served as a member of the Risk Committee until the 2019 Annual General Meeting.

The meetings of the Risk Committee were also regularly attended by the CEO, the Secretary of the Committee, and the Chief Risk Officer ("CRO").

The Remuneration Committee of the Board of Directors is responsible for preparatory work to assist in the Board's decision-making concerning the setting of objectives related to the Company's remuneration system, assessment of whether the objectives are attained, development of the remuneration system and the remuneration and other benefits for the CEO and persons reporting to the CEO.

The members of the Remuneration Committee at the end of the financial year, and their individual attendance rates in the meetings for the 2019 financial year were:

Helena Walldén (Chairman)	100%
Markku Koponen	100%
Jari Koskinen	100%
Tuula Saxholm	100%

The Remuneration Committee convened a total of six (6) times during the financial year and the average attendance rate was 100%.

The meetings of the Remuneration Committee were also regularly attended by the CEO, the Secretary of the Committee, and the head of HR. These persons did not participate in deliberations on their own remuneration.

6. CEO and Executive Management Team

Under the Articles of Association, the Company has a CEO and a Deputy to the CEO appointed by the Board of Directors.

The CEO's duty is to manage the Company's operations in order to implement the resolutions made by the Board of Directors and maintain the Company's operations in line with the strategy, risk management principles and limits set by the Board of Directors. Supported by the Executive Management Team, the CEO is responsible for monitoring the effectiveness of the Company's day-to-day operations (including internal control, risk management and supervision of regulatory compliance), maintaining an effective organisational structure and reporting to the Board of Directors. The Board of Directors appoints and decides on resignation of members of the Executive Management Team based on the proposal by the CEO. Persons responsible for risk management and compliance may not be dismissed without the consent of the Board of Directors. The Board of Directors appoints and decides on resignation of the Head of Internal Audit.

With regard to the CEO, Deputy to the CEO, other members of the Executive Management Team, and those responsible for the internal audit and compliance, each person's reliability and competence is always assessed before the person is finally selected or before they take up their duties, as separately stated in the applicable legislation and guidelines issued by the authorities. When hiring other employees, the suitability of candidates, with respect to the demands of the position, is assessed sufficiently as part of the ordinary recruitment process.

The Executive Management Team convenes regularly at least two times a month. In 2019, the Executive Management Team convened 41 times, out of which three were email meetings.

CEO and the Executive Management Team at the end of the 2019 financial year:

<i>Name</i>	Esa Kallio
<i>Position at the Company</i>	President and CEO
<i>Year of Birth</i>	1963
<i>Employed by the Company since</i>	2005, President and CEO as from 2018
<i>Education</i>	M.Sc. (Econ)
<i>Other material positions of trust</i>	No other material positions of trust outside the group

<i>Name</i>	Toni Heikkilä
<i>Position at the Company</i>	Executive Vice President, CRO, Risk Management
<i>Year of Birth</i>	1965
<i>Employed by the Company since</i>	1997
<i>Education</i>	Lic.Sc. (Econ), M.Sc. (Finance)
<i>Other material positions of trust</i>	No other material positions of trust outside the group

<i>Name</i>	Aku Dunderfelt
<i>Position at the Company</i>	Executive Vice President, Customer Finance (member of the Executive Management Team as from August 2019)
<i>Year of Birth</i>	1975
<i>Employed by the Company since</i>	2019
<i>Education</i>	BBA
<i>Other material positions of trust</i>	No other material positions of trust outside the group

<i>Name</i>	Rainer Holm
<i>Position at the Company</i>	Executive Vice President, Business Information Solutions
<i>Year of Birth</i>	1973
<i>Employed by the Company since</i>	2016
<i>Education</i>	M.Sc. (Econ)
<i>Other material positions of trust</i>	No other material positions of trust outside the group

Name **Joakim Holmström**
Position at the Company Executive Vice President, Capital Markets
Year of Birth 1977
Employed by the Company since 2008
Education M.Sc. (Econ)
Other material positions of trust No other material positions of trust outside the group

Name **Harri Luhtala**
Position at the Company Executive Vice President, Finance (member of the Executive Management Team as from May 2019)
Year of Birth 1965
Employed by the Company since 2019
Education M.Sc. (Econ)
Other material positions of trust No other material positions of trust outside the group

Name **Mari Tyster**
Position at the Company Executive Vice President, Legal and Governance, secretary to the Board of Directors and its Committees, Deputy to the CEO as from 2018
Year of Birth 1975
Employed by the Company since 2009
Education Master of Laws
Other material positions of trust No other material positions of trust outside the group

Jukka Helminen, Customer Finance as his area of responsibility and Marjo Tomminen, Finance as her area of responsibility, were members of the Executive Management Team until May 2019.

The CEO or members of the Executive Management Team do not have significant memberships in the Boards of Directors of other companies outside MuniFin Group or other material commitments, and all of their positions in the Company are full-time.

The Executive Management Team has established various groups (ALM Group, Risk Group, Credit Group and during 2019 Data Governance Group, Security Management Group, Valuation Control Group) to support its activities and ratified their rules of procedure and delegated decision-making authority to them.

Risk Group is responsible for the management of the overall risk position of the Company, supervision, and development of MuniFin's risk management and the principles and reporting thereof. The ALM (Asset and Liability Management) Group's duties concern overseeing the Company's profitability, liquidity position and the market risk position of the balance sheet. Credit Group decides particularly on credit granting and changes to the terms and conditions for customers that are deemed to pose a higher credit risk to MuniFin. Data Governance Group is responsible for the policies and standards of MuniFin's data governance and the legality of the data governance practises. Security Management Group ensures that data protection is controlled and executed in MuniFin and managed according to decided policies and guidelines.

Valuation Control Group's duty is to follow and monitor the valuation process of MuniFin and decide on necessary steps.

The Chairmen of these groups are members of the Executive Management Team: the Chairman of ALM Group is Joakim Holmström, Executive Vice President, Capital Markets, the Chairman of Risk Group is Toni Heikkilä, Executive Vice President, CRO, Risk Management, and from August 2019, the Chairman of Credit Group has been Aku Dunderfelt, Executive Vice President, Customer Finance. Jukka Helminen was the Chairman until May 2019, after which Joakim Holmström was temporarily responsible for the duty. Data Governance Group was established in December 2019 and Rainer Holm, the Executive Vice President of Business Information Solutions is the Chairman of the group. In addition, Rainer Holm is the Chairman of the Security Management Group. The Chairman of the Valuation Control Group is the Executive Vice President of Finance, Harri Luhtala.

In the 2019 financial year, the work of the Executive Management Team focused particularly on the preparation for investments related to significant information system projects and following the progress of the projects. The Executive Management Team discussed all significant proposals requiring a decision from the Board of Directors. The Executive Management Team assessed the business environment and the impacts of its changes (including the social and healthcare reform, the regulative and capital markets environment) to the Company's business and as a result made decisions that guide the operational activities and support the Company's strategy. In addition to the above, the Executive Management Team focused on internal control related duties.

7. Group Structure

The Municipality Finance Group consists of the Group's parent company Municipality Finance Plc and the subsidiary Financial Advisory Services Inspira Ltd ("Inspira"). Inspira's governance complies with the same key principles as the parent Company. The Board of Directors and the Committees of the parent company also supervise the activities of Inspira.

At the end of the 2019 financial year, the Board of Directors of Inspira consists of representatives of the parent company.

- Esa Kallio, CEO of the parent Company, Chairman
- Markku Perälä, Vice President, Legal, member of the Board of Directors
- Harri Luhtala, Executive Vice President, Finance, deputy member of the Board of Directors

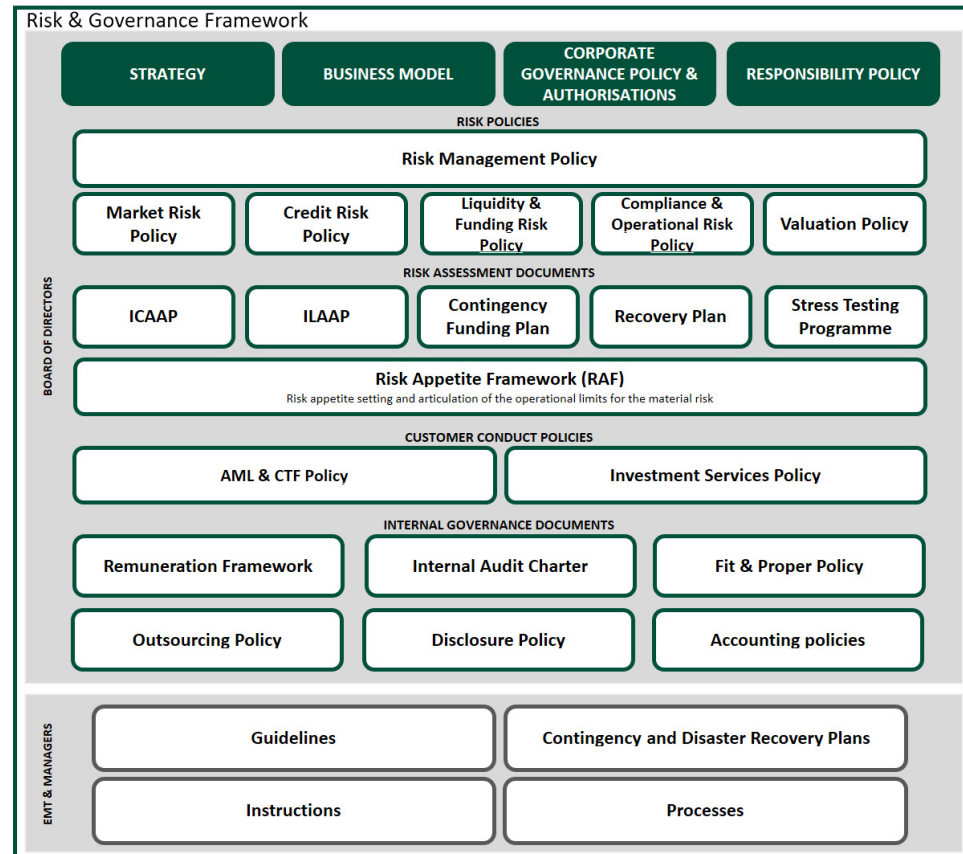
For the entire financial year, the CEO of Inspira was Anssi Wright.

C. Description of the main features of the internal control and risk management systems pertaining to the financial reporting process

1. Internal control and risk management

MuniFin is, due to the nature of its operations, inevitably exposed to a number of risks and, as such, internal control and risk management are key aspects of strategic planning and management. Appropriately implemented internal control and risk management are included in the day-to-day operations and facilitate the accomplishment of set objectives and ensure that the Company's risk level stays at the desired level.

The Board of Directors has ratified the Company's Risk and Governance Framework and, as part of it, key policies and processes for the effective implementation of internal control and risk management, as shown in the figure below.



Internal control ensures that the Company acts in accordance with confirmed principles and processes. This is supported by controls of different processes. Internal control is performed at all levels of the organisation and the nature and scope of operations are taken into account in defining the operating methods used in internal control. Internal control is primarily carried out in line operations, where internal control is continuous and part of day-to-day operations. Internal control processes are complemented by an independent whistleblowing channel, as required by regulations, through which employees can report suspected infringements.

Internal control practices are developed continuously. In 2019, this meant, for instance, developing the key processes (lending and funding) in a way that the appropriate control points are taken into consideration. Information systems have also been continuously developed to better serve the Company's operations. In this development work, the needs of internal control have been taken into consideration.

The purpose of risk management is to ensure that the risks associated with lending, funding, and investing, as well as other operations, are in line with the Company's approved risk profile, and that the Company attains the objectives set for its business. The objective is to maintain MuniFin's overall risk position at a level that is the best possible related to the credit rating of the Republic of Finland and not to compromise the Company's credit rating through its own actions.

The Company's business units and support functions identify and manage MuniFin's risks as part of their daily operations, taking into consideration MuniFin's risk appetite, internal policies and guidelines, and limits. The Capital Markets function is responsible for managing the risk profile of the consolidated balance sheet by entering into market transactions within the limits set by the Board of Directors. The risk position and limit usage are reported to the Executive Management Team and Board of Directors on a regular basis. The Company's Business Control and Reporting department, led by the CFO, is responsible for the implementation of the principles for capital management and the structure of own funds confirmed by the Board of Directors.

The organisation and responsibilities for risk management at MuniFin are built on three lines of defence:

- First line of defence: Confirmed risk management principles are applied in business activities (see the section on "Supervision and reporting at the operational level").
- Second line of defence: The Risk Management function, which is independent of the business units, is responsible for the risk management principles ratified by the Board of Directors and process supervision led by the Chief Risk Officer. Regulatory compliance (external and internal) is supervised by the compliance function, which is part of the independent Risk Management function and reports to the Audit Committee of the Board of Directors.
- Third line of defence: The internal audit regularly evaluates various aspects of the Company's operations and also reports to the Audit Committee and the Board of Directors.

MuniFin has an extensive risk management organisation and systems, which covers the main parts of the Company's operations including the tasks and responsibilities of different departments and decision-making bodies.

MuniFin regularly maps risks related to its operations and continuously develops methods for recognising and managing them. Risks are assessed through regular risk analyses. The aim of the analyses is to recognise new challenges and risks created by changes in the operating environment and to prioritise risks and their management based on the results. The Company hedges and reduces risks it has identified with collateral, guarantees, derivatives, insurance and active risk management. According to its own analysis, MuniFin does not have any liabilities containing wrong-way risk.

In 2019, risk management monitored the development of external regulation essentially affecting the Company's activities and on that basis, promoted the development of risk management principles and policies at MuniFin. In particular, in 2019, risk management developed valuation models for different balance sheet items and the administration of those models as well as assessing of credit risks, including concentration risks.

2. Reporting and supervision at the Board level

MuniFin's general principles, limits and measurement methods used in risk management are determined by the Board of Directors. The Risk Committee of the Board of Directors assists the Board in matters regarding risk strategy and risk taking and in supervising that the Company follows the risk strategy defined by the Board. The purpose of risk management is to ensure that the risks associated with lending, funding, investment and other business operations are in line with MuniFin's low risk profile. The Board of Directors is responsible for ensuring that internal control and risk management are sufficiently comprehensive and effective and that the Company does not, in its operations, take risks that would endanger the continuity of the Company's operations. The Board is assisted and supported in this supervision by the Audit Committee and Risk Committee. The Board of Directors and the Committees have confirmed rules of procedure that also specify the Board's and Committee's duties concerning internal control and risk management in more detail.

The Board of Directors has confirmed principal risk policies, which include the operating principles and limits pertaining to internal control and risk management. The Board of Directors has confirmed the risk management strategy as part of the Company's overall strategy. The aim of risk management policies, of which need for update is assessed regularly, is to guide the Company's operations such that the Company's risk position is maintained at a level that corresponds to its confirmed risk profile.

MuniFin's Board of Directors has confirmed a Risk Appetite Framework ("RAF"), the purpose of which is to enable the Company to:

- Effectively identify, assess and manage the risks inherent in its strategy as well as its internal risks;
- Assess and decide on the amount and quality of risk it is willing and able to take in executing its business strategy, and to actively communicate it, and;
- Promote discussion about the risk appetite of the Company and challenge decisions on business and risk taking.

RAF is linked to both short-term and long-term strategic plans, capital, liquidity and financial plans, the recovery plan and the remuneration policy. The RAF is updated annually.

Monthly reports are made to the Board of Directors on the Company's risk position relative to the limits set and, as necessary, on individual risk events of material significance. The Chief Risk Officer reports monthly directly to the Chair of the Risk Committee on any material deviations in the risk position of the Company since the previous report. The Chief Risk Officer presents a broad report on the Company's risk position to the Risk Committee and the Board of Directors biannually. As part of the described standard reporting the Risk Committee and Board of Directors evaluate the content and comprehensiveness of reporting and may require changes to the content or method of reporting.

3. Capital adequacy

The Board of Directors approves the plan for capital adequacy management, which is revised annually. The plan for capital adequacy management also includes a process description for capital adequacy management. Capital adequacy disclosures according to Pillar III are published separately at the same time as the Annual Report. In addition, briefer Pillar III is published at the same time as the Half Year Report.

The Company meets clearly all capital requirements in force. The long-prepared changes in bank capital adequacy regulations (CRR II and CRD V) were adopted by the European Parliament in April 2019 and, to a large extent, these changes will be applicable in June 2021. This amendment also includes a leverage ratio requirement, whereby a credit institution's leverage ratio must be at least 3%. MuniFin has been preparing for several years for the introduction of the leverage ratio requirement, and its leverage ratio exceeds the required 3%, being 4.0% at the end of December. According to the adopted regulations, a public development credit institution may, from June 2021, deduct in the calculation of leverage ratio all credit receivables from central government and local government. Based on self assessment, MuniFin has determined that it fulfils the definition of a public development credit institution. Should the definition be fulfilled, the changes in CRR II would have a significant positive effect on MuniFin's leverage ratio. According to preliminary estimates, the other changes in this package will have a less significant effect on the leverage ratio. The amendment is not expected to substantially alter MuniFin's capital adequacy position. MuniFin Group's CET1

capital ratio at the end of December was very high at 83.1%; even after the entry into force of CRR II and CRD V, the CET1 capital ratio is estimated to remain at a very high level. The leverage ratio measures directly the ratio of own funds and receivables without a risk assessment of the receivables.

As part of the Company's capital adequacy planning and its execution MuniFin issued a Tier 1 capital loan (AT1 instrument) in 2015, which reinforced the Company's capital structure in anticipation of the previously mentioned leverage ratio requirements. The Company does not have any other capital loans in its balance sheet; instead, the Company's own funds primarily consist of share capital and retained earnings.

Capital adequacy is calculated as required by the EU's capital requirements regulation and the related directive (so called CRDIV-package), which are based on the Basel III framework. The capital adequacy requirement for credit risk is calculated using the standardised approach, and the capital adequacy requirement for operative risks using the basic indicator approach. As the Group has neither a trading book nor share or commodity positions, only currency risks are taken into account in the capital adequacy calculations for market risk. As the Company hedges against currency risks by using derivative contracts to convert all foreign currency denominated funding into euros, the Company's currency position is very small and it is therefore not necessary to allocate capital for the currency risk.

Financial reporting and reporting on risk management to the Board of Directors is the responsibility of the CEO. In this task, the CEO is supported by the CFO and the CRO. Further, the CRO reports directly to the Board of Directors and its Risk Committee on a regular basis. MuniFin hedges itself against financial risks related to its operations with derivatives, and the changes in valuations of these derivatives are recognised in the net operating profit and own funds.

The risk position of the Company has not materially changed during 2019. According to the principles of the Company's risk management, the Company hedges itself from all material market risks by using derivatives that are measured at a market value according to IFRS accounting regulation. In this regard, there Company's profit and loss is facing volatility caused by the valuations during the maturity of instruments, which decreases to zero by the end of the maturity. In addition, during the year the Company has firmly developed in particular the risk management methods, the valuation models of instruments and their management. Risk management has also developed the methods of prudent valuation after the Company, in this regard switched to use core approach as referred in capital adequacy regulation instead of simplified approach.

In 2019, risks remained within the set limits and, based on the Company's assessment, the risk management function met with its requirements. The Company's risk position is regularly reported to the Board of Directors as a part of monthly reporting. Risk reporting covers all the risk areas, as well as the limit usages for the various risks. Additionally, the CRO gives the Board's Risk Committee at least semi-annually a more extensive overall view of the company's risk position in relation to various risk areas.

A comprehensive stress test is conducted regularly in the Company.

4. Supervision and reporting at the operational level

Internal control plays a part in the duties of each individual belonging to the management or staff of the Company and everyone in the organisation is responsible for reporting any observed deficiencies concerning internal control. Internal control is based on an organisation specific to each operational area or department, where everyone involved has their own duties and areas of responsibility. Decision-making and the implementation of decisions have been delegated to different functions or individuals.

Reliable and timely reporting on the Company's financial performance is a key tool for management. Reporting on financial performance is carried out by the Company's Business Control and Reporting department and risk management functions, but in part also independently at the operational level to control the accuracy and sufficiency of financial

reporting. The basic elements of financial reporting include internally produced reports on a monthly basis, regular reporting to the authorities and the half-year and annual reports required for external reporting.

Financial reporting is based on appropriately prepared bookkeeping and other materials pertaining to transactions. In order to ensure the accuracy of financial reporting, the Company's financial administration has detailed internal instructions on the recording of business activities and other financial management processes, including amongst other things the control principles concerning the approval and implementation of various transactions. These control procedures include regular routines pertaining to the reconciliation of accounts and transactions and payment transfer processes that always follow the four-eye principle. Some of the control measures are automated by the Company's information systems while some are based on manual inspection. The Audit Committee is charged with supervising the financial reporting processes.

The Company has an independent risk management function; it maintains, develops and prepares risk management principles for confirmation by the Board of Directors and develops methods for use in the assessment and measurement of risks. The Company's various functions are responsible for day-to-day business decisions to minimise risks within the established principles, policies, authorisations and limits. The risk management function ensures that risks are maintained within acceptable limits and that the methods used for meas-

uring risks are appropriate. The risk management function reports to the executive management and the Board of Directors on a monthly basis on the Company's risk position relative to the limits set and, as necessary, on individual risk events of material significance.

The management of operational risks, including information systems critical to the Company's operations, and the supervision of operational risks are part of the normal processes of functions and departments. In addition, the department charged with the supervision of overall risk has the general responsibility of coordinating the management of operational risks. The Company conducts an annual process to identify operational risks. The process evaluates risks and their probability of realisation and effects and decides on means of managing the risks in question.

The CEO, supported by the Executive Management Team, is responsible for managing the Company's operations and organising risk management and financial reporting. The Executive Management Team has groups focusing on different aspects of the operations to support its operations in steering the Company's operations, to make essential decisions, and to prepare matters for the Board of Directors and its Committees. Responsibilities for decision-making and monitoring have been delegated to the groups: ALM Group, Credit Group, Data Management Group, Risk Group, Security Management Group and Valuation Control Group. For more information on the activities of the groups, see part B, section 6 "CEO and Executive Management Team".

MuniFin's senior management is represented in the Board of Directors of its subsidiary Financial Advisory Services Inspira Ltd and Inspira's governance is based on the same internal control principles as at MuniFin.

In addition to the risk and governance policies confirmed by the Board of Directors, the Company has operating guidelines for essential parts of its business and risk management confirmed by the Executive Management Team. The operating guidelines are supported by process descriptions that are prepared for all essential processes and revised regularly. In addition, each employee has a job description that specifies their key duties and back-up arrangements. The heads of departments also prepare and revise process instructions and other specific guidelines as necessary.

The Company reports on its activities as required by law to the Finnish Financial Supervisory Authority, the European Central Bank, Bank of Finland, Municipal Guarantee Board, EU Single Resolution Board, Financial Stability Authority, Tax Administration, and Statistics Finland. As from the beginning of 2016, the Company has been under the direct supervision of the European Central Bank and is thereby also under the supervision of the Single Resolution Board with respect to crisis management.

5. Compliance

Duties related to compliance with external and internal regulation (monitoring regulations, disseminating information, training, supervising) are handled by the compliance function, which is part of the independent Risk Management division.

The compliance function reports regularly to the Executive Management Team and to the Audit Committee of the Board of Directors. The Board of Directors also receives regular reviews of the development of banking regulation and its impacts on MuniFin's operations. In 2019, the compliance function focused particularly on developing the scope of compliance reporting and the activities related to monitoring regulation and compliance. In addition, the compliance function has had an essential role in ensuring that the Company adequately and in timely manner complies with the requirements set by supervision. The compliance function has also supported the business operations in the projects of implementing new regulation. The Company maintains a log for monitoring recommendations given by the compliance function and all actions taken are reported to the executive management and to the Audit Committee regularly. At the beginning of 2019 the Company appointed Anu Nyholm, Vice President, to be responsible for the compliance function.

6. Internal audit

The tasks of the internal audit function include monitoring the reliability and accuracy of MuniFin's financial and other management information. Its tasks also include ensuring that the Company has adequate and properly organised processes and IT systems for its operations and that the risks associated with operations are being managed adequately.

Annually, the Company's Board of Directors approves an operational plan for internal audit for each financial period. In the 2019 financial period, all audits performed by internal audit were reported to the Company's Executive Management Team, Audit Committee and Board of Directors. The recommendations issued by the internal audit are systematically monitored in the Company and their implementation is reported to the Company's executive management and the Audit Committee regularly. The internal audit function assesses the status of the implementation of recommended measures.

The head of the internal audit reports directly to the Board of Directors and its Audit Committee. In 2019, the internal audit carried out an extensive audit of different parts of the Company's operations, including the Company's essential information system projects. The internal audit function may use external parties in its work to support the activities of internal audit. Use of external parties in audits must be reported to the Audit Committee.

7. External audit

The Company's auditor must be an Authorised Public Accountant approved by the Central Chamber of Commerce of Finland. The Auditor's term of office is the Company's financial year and it terminates at the conclusion of the next Annual General Meeting after election. The Company's financial year is the calendar year.

In the 2019 financial period, MuniFin's auditor was KPMG Oy Ab, with APA Marcus Tötterman as the lead audit partner until the Annual General Meeting in 2019 and because of the auditors' rotation requirements, APA Tiia Kataja from the Annual General Meeting in 2019. It is proposed to the 2020 Annual General Meeting that KPMG be elected as auditor with APA Tiia Kataja as the lead audit partner.

The audit in 2019 based on a pre-prepared audit plan. Fees paid to the audit firm during the financial year 2019 are the following:

Auditing and other fees paid to the audit firm:

(EUR 1,000)	2019
Auditing	369
Tax consultation	90
Other services	350
Total	810

8. Related parties and related party transactions

Related parties of MuniFin include the Company's shareholders that control more than 20% of all votes attached to shares, the CEO and President, Deputy to CEO, other members of the Executive Management Team, members of the Board of Directors as well as their spouses, children and dependants and the children and dependants of their spouses. In addition, related parties of MuniFin include entities directly or indirectly controlled, jointly controlled or significantly influenced by the aforementioned. MuniFin's subsidiary, Inspira, is also a related party. The Company maintains a related party list.

Restrictions for MuniFin's operations are set out in the Act on the Municipal Guarantee Board ("MGB Act") and the framework agreement between MuniFin and the Municipal Guarantee Board. Under those restrictions, MuniFin can grant financing only for parties set up under the MGB Act (municipalities, municipal federations, entities owned or controlled by municipalities and corporations designated by state authorities and engaging in the renting or production and maintenance of housing on social grounds). Related parties of MuniFin are not included in the customer base set out in the MGB Act and therefore MuniFin has not had any related party transactions concerning its customer finance operations during 2019.

Following the above, MuniFin carries out only payments of remuneration based on employment with natural persons included in the related parties. MuniFin has no loans or financial claims from the above mentioned natural persons. Business transactions carried out with the subsidiary Inspira comprise fees related to administration services and professional services that MuniFin has bought from Inspira.

9. Insider administration

As an issuer of financial instrument traded on a regulated market MuniFin is obligated to maintain an insider list. Permanent part of the list includes those employees of MuniFin who receive inside information of the Company regularly as well as other persons and entities, who the Company assesses to regularly receive inside information concerning MuniFin.

Although MuniFin does not in practise provide for example share-related investment services, as a credit institution authorized to provide investment services, it is obligated to maintain a public insider register. Under the obligation to notify are the members of the Board of Directors, the CEO and President and the Deputy to CEO. Other persons in the Company are not under the duty of notification in regards to the investment service company's insider register as the Company does not provide investment services in a manner that could create a possibility for the personnel to receive insider information.

MuniFin has an insider guideline that Executive Management Team has approved and which all persons in the insider register and insider list are obligated to comply with.

As an issuer of financial instrument traded on a regulated market MuniFin is subject to the obligation of executives and their related parties to publish business transactions. The Company has defined that executives under obligation to notify are the members of Board of Directors and the Executive Management Team.

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