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## RULES OF PROCEDURE OF THE AUDIT COMMITTEE

### Background

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

The Board has confirmed the following rules of procedure:

### Composition of the Committee

The following principles apply to the composition of the Committee:

- The Board of MuniFin appoints the members and the Chair of the Committee annually from among themselves.
- The Committee comprises no fewer than three members.
- The Committee shall not be composed of the same group of members that forms another committee.
- The composition of the Committee shall take into account sufficient independency of the Committee, and at least one member must be independent from MuniFin and its significant shareholder, having sufficient expertise in accounting or auditing.
- The Committee shall have sufficient expertise in accounting, bookkeeping, financial reporting and practices concerning financial statements as well as internal audit.

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

### Duties of the Committee

The purpose of the Committee, as a preparatory body, is to assist the Board in duties related to internal controls, financial reporting and internal and external auditing.

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

**Internal controls and financial reporting**

- Monitors the effectiveness of MuniFin's internal quality control and risk management systems, including compliance function, and, where applicable, its internal audit function, with regard to the financial reporting of MuniFin, without breaching its independence;
- Oversees the establishment of accounting policies of MuniFin.
- Monitors the financial reporting process and submit recommendations aimed at ensuring its integrity.
- Examines the key principles in the preparation of the company's accounts and financial statements, changes to these, and their effects on the company's financial statements, taking into account the development of its operating environment and the company's outlook for the future.
- Deals with the quality and accuracy of the company's financial statements and the information contained therein.

**External audit**

- Monitors the statutory auditing of the financial statements and consolidated financial statements.
- Assesses the external auditing plan.
- Prepares proposals for selecting (including compensation) or dismissing the external auditors for the Board and finally to the General Meeting.
- Discusses statements and reports submitted by the auditor, monitors measures related to them, and supervises their implementation.
- Informs and explains the Board of the outcome of the statutory audit.
- Supervises the resources of the auditing firm, the efficiency of its operation, and the work done by the auditors and the fees paid to them.
- Supervises the advisory and other services given by the auditing firm and the fees paid to it, and approve the advisory services given by the auditing firm as defined by the Corporate Governance Policy.
- Assesses and discusses with lead audit partner the independence and any conflicts of interest of the auditing firm and the lead audit partner.

**Internal Audit**

- Assesses the auditing plan prepared by internal auditor and ensure that it covers all the essential areas of risk and that cooperation with external auditor is appropriately taken into account. May approve changes to the time schedules and scoping modifications of the Board approved audit plan included individual audits. May also approve additional external audits performed, however, not preventing materially the Board approved audit plan to be completed.

- Supervises the operation and efficiency of the internal audit and ensures that the internal audit has the necessary resources.
- Reviews, for the approval of the Board, principles related to use of external service providers to support internal audit function.
- Assesses the Internal Audit Charter, for the approval of the Board, and any material changes to it.
- Discusses reports submitted by internal auditor and supervises the implementation of audit recommendations.
- Prepares proposals for selecting (including compensation) or dismissing the head of internal audit for the Board and approves appointment and remuneration of other staff members of Internal Audit. Approves changes of fixed remuneration of the staff of Internal audit (including head of the function)

#### **Other**

- Assesses the company's corporate governance by reviewing, for the approval of the Board, MuniFin's Corporate Governance Policy and the annual Corporate Governance Statement, which includes a description of the main features of the internal control and risk management systems pertaining to the financial reporting process.
- Monitors requirements set by the supervisory authorities and compliance with their recommendations (including tax authorities).
- Supervises that compliance with external and internal regulations is arranged appropriately.
- Reviews investment proposals to be submitted for the approval of the Board.
- Monitors implementation of significant IT development projects approved by the Board.
- Reviews outsourcing plans of outsourcing arrangements, which shall be approved by the Board according to the Outsourcing Policy.
- Appoints external consultants supporting the Committee's work related to internal controls, audits and other areas of the Committee's work, unless the cost of consultancy is deemed to be material and requiring Board approval.
- And other duties as appointed by the Board case by case.

The above is not a fully comprehensive list of the duties of the Committee. The Committee may also deal with other matters or tasks, if deemed necessary, in order to assess or supervise the internal auditing process and financial reporting.

#### **Convening meetings**

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

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

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

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

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

### **Right of presence, right to speak, and minutes**

Meetings of the Committee are in general attended by the company's CFO, who always has the right to submit reports and proposals to the Committee, unless the Committee decides otherwise with regard to an individual matter. The secretary of the Committee, who is responsible for taking minutes, is also present at the meetings. The Committee may invite executive management and other experts (e.g. external) to attend meetings and grant them the right to speak. The Committee may also at any time convene without the presence of the executive management, if deemed necessary.

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

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

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

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