



Evli Bank Plc
Corporate Governance
Statement 2016

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CORPORATE GOVERNANCE STATEMENT 2016

The governance of Evli Bank Plc (hereinafter Evli) is based on the Articles of Association, the Finnish Limited Liability Companies Act, applicable statutory provisions governing the Finnish securities markets, the regulations of the Finnish Financial Supervisory Authority, the rules and regulations of Nasdaq Helsinki Ltd, and other statutes and regulations concerning the governance of public limited

companies. Evli also complies with the Finnish Corporate Governance Code issued by the Securities Market Association. The Code can be viewed in full on the Securities Market Association website at www.cgfinland.fi/en/. Further information on Evli's risk management system is available in section 'Risk Management and Internal Control'.

GENERAL MEETING OF SHAREHOLDERS

The ultimate decision-making power in the company is exercised by shareholders at General Meetings. At these meetings shareholders are able to participate in the control and supervision of the company. General Meetings are held at least once a year. The Annual General Meeting (AGM) is held upon completion of the company's financial statements, at a place and on a date designated by the Board of Directors. The date must be no later than the end of June.

Matters to be discussed at a General Meeting are specified in the Limited Liability Companies Act and in Evli's Articles of Association. The General Meeting normally discusses not only the matters specified by law and in the Articles of Association but also items presented to the meeting by the Board of Directors. Under the Limited Liability Companies Act, shareholders are also entitled to

bring for discussion at a General Meeting any matter that falls within the authority of the meeting.

At the AGM, information is presented about the company's activities, and the financial statements for the preceding annual period are adopted. Resolutions are also taken at the AGM concerning the company's profit distribution, granting release from liability for the Board members and the CEO and his deputy, the election of Board members and appointment of auditors and the remuneration to be paid to them.

The Board of Directors may convene an Extraordinary General Meeting if it considers this necessary. The auditor and any shareholder with more than ten percent of the company's shares also have the right to demand that an Extraordinary General Meeting be called to discuss a matter to be presented by the auditor or shareholder.

BOARD OF DIRECTORS AND ITS COMMITTEES

The Annual General Meeting of Evli Bank Plc each year elects a Board of Directors, which, between General Meetings, exercises the ultimate decision-making power in the Evli Group. The task of Evli's Board is to manage the company in accordance with the law and official regulations, and in compliance with the Articles of Association and the decisions of the General Meeting.

The AGM elects four to eight members to the Evli Board of Directors from among representatives of the major shareholders and from among external, independent experts who have diverse experience of business and of the industry in which Evli operates. Board members are elected for a term of one year, which begins at the close

of the AGM and expires at the close of the first AGM following their election. The Board elects a Chairman and Vice Chairman from among its members.

The Board has approved a written procedure defining its duties and meeting practices. The Board of Directors is responsible for the company's administration and appropriate organization of operations, and for ensuring that the company's accounting and asset management are monitored in an appropriate manner. The Board handles all matters that are of extensive and fundamental importance for the operation of the company and the entire Group. The Board's responsibilities include deciding upon the Evli Group's business strategy, approving the budget

and the principles for the arrangement of the Evli Group's risk management and internal control. The Board appoints the CEO and the members of the Executive Group, relieves them of their duties and decides upon the CEO's salary and other benefits. The Board also approves the objectives for the Group's human resources planning and monitors the implementation of these objectives, and it decides the basis for the Group's remuneration system and other far-reaching matters that concern the personnel. In accordance with the principles of good governance, the Board also ensures that the company, in its operations, endorses the corporate values that have been set out for compliance. The Board conducts an annual review of its activities and working practices in the form of an internal self-assessment.

Evli Bank Plc's Annual General Meeting, held on March 8, 2016, confirmed seven as the number of members of its Board of Directors. Henrik Andersin, Robert Ingman, Harri-Pekka Kaukonen, Johanna Lamminen, Mikael Lilius, Teuvo Salminen and Thomas Thesleff were re-elected to Evli Bank Plc's Board of Directors. Henrik Andersin was chosen as Chairman of the Board.

Evli's current Board of Directors consists of industry experts and the company's major shareholders. Harri-Pekka Kaukonen, Mikael Lilius, Teuvo Salminen and Johanna Lamminen are independent of the company and shareholders.

The Board of Directors convened 10 times in 2016. The average attendance rate of Board members at the meetings was 97.1 percent. The meeting attendance fee payable to Board members in accordance with the AGM's decision was EUR 4,100 per month, and the Chairman's attendance fee was EUR 6,000 per month. The Chairmen of the committees were also paid EUR 800 for each committee meeting. During the financial year members of the Board received no shares or share-based rights as remuneration.

The Board has established an Audit Committee and a Compensation and Nomination Committee to prepare matters to be handled by the Board. The committees have no independent decision-making power; instead, decisions are made by the Board on the basis of recommendations and information supplied by the committees. The committees make regular reports on their activities to the Board.

AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board of Directors in ensuring that the company has an adequate internal control system covering all operations and that the company's risk management has been arranged appropriately, and it also monitors the financial statements reporting process. Additionally, the Audit Committee is responsible for overseeing the accuracy and correctness of the company's financial reporting, monitoring the statutory auditing of the financial statements and consolidated financial statements, and preparing the proposal on the appointment of auditors and the auditors' fees, to be made to the AGM. Furthermore, the Audit Committee is responsible for ensuring that the company's operations and internal control have been arranged in accordance with all applicable laws, regulations, and good management and governance practices, as well as for monitoring the activity and efficiency of the internal audit function and assessing the independence of the statutory auditor or auditing firm, and especially the provision of ancillary services to the company. The Audit Committee consists of at least two members, who may not be part of the company's management and must be independent of the company. The committee is elected by the Board of Directors from among the Board's members. In addition to the committee's regular members, the meetings are attended by the auditors, the CEO, the CFO and the internal auditor. The committee meets every quarter.

The committee met five times in 2016. The Audit Committee's Chairman in 2016 was Teuvo Salminen and its members were Robert Ingman and Johanna Lamminen. The Audit Committee members' average attendance rate at meetings was 100 percent.

COMPENSATION AND NOMINATION COMMITTEE

The Compensation and Nomination Committee is responsible for assisting the Board of Directors in the preparation of matters related to the management's employment terms and compensation, the compensation and incentive systems for management and personnel, and the regular assessment of the functioning of and compliance with the compensation system. The committee consists of at least three members, elected by the Board from among its members. The committee Chairman is chosen from

among the committee members and must be an independent Board member.

The members of Evli's Compensation and Nomination Committee are Harri-Pekka Kaukonen (Chairman), Hen-

rik Andersin, Mikael Lilius and Thomas Thesleff. The committee met three times in 2016. The Compensation and Nomination Committee's members' average attendance rate at meetings was 91.7 percent.

CHIEF EXECUTIVE OFFICER AND EXECUTIVE GROUP

Evli's Board of Directors appoints the company's CEO and decides the terms and conditions of his or her service relationship. The CEO is responsible for the company's day-to-day management in compliance with the instructions and decisions provided by the Board of Directors. The CEO's duties include the management and supervision of the Group's business, preparation of matters to be handled by the Board, and implementation of the Board's decisions. In accordance with the Limited Liability Companies Act, the CEO ensures that the company's accounting is lawful and that the asset management is arranged reliably.

The CEO's period of notice is six months, and the severance compensation payable to the CEO in addition to the salary for the period of notice corresponds to 12 months' salary. The CEO's retirement age is 65 years and 4 months.

The company's CEO is Maunu Lehtimäki, M.Sc. (Econ.), born 1967. In 2016, the CEO was paid a salary of EUR 381,600.00 plus EUR 50,240.00 in performance bonuses and other benefits, making a total of EUR 431,840.00. As part of the incentive and commitment system 42,000 stock options 2014 and 40,000 stock options 2016 were granted to the CEO.

In managing the company's operations, the CEO is assisted by Evli's Executive Group. The Executive Group consists of the CEO and six members. The CEO presents

a proposal regarding the choice of members to the Executive Group, and these names are then subject to confirmation by the Board of Directors. The CEO convenes the Executive Group as necessary and serves as its Chairman. The Executive Group normally meets twice a month. The Executive Group's task is to support the CEO in preparing and implementing the strategy and in coordinating the Group's operations. The Executive Group's duties also include preparing and executing matters that are significant or involve fundamental principles, and ensuring internal cooperation and communication.

EVLI HOLDINGS OF BOARD MEMBERS, THE CEO AND EXECUTIVE GROUP MEMBERS

At the end of 2016, Evli's current Board members held, either directly or through controlled corporations, about 51.00 percent of the company's total stock and 55.49 percent of the total votes*. At the end of 2016, Evli's CEO held, either directly or indirectly, about 2.33 percent of the company's total stock and 2.54 percent of the total votes. The other members of the Executive Group together held 4.36 percent of the company's total stock and 4.76 percent of the votes at the close of 2016.

INSIDER MANAGEMENT

Evli Bank Plc has a guideline on insider rules and regulations that is approved by its Board of Directors and is based on the Market Abuse Regulation, NASDAQ OMX Helsinki Ltd's Guidelines for Insiders of Listed Companies, as well as other relevant regulations and directives. Evli Group companies that are registered outside of Finland shall comply not only with these guidelines, but also with the national legislation and official regulations of the country where the companies are located. The guideline

on insider rules and regulations is distributed to all persons engaged in an employment or service relationship with the Group. The persons defined in the guideline on insider rules and regulations shall comply with the restrictions regarding the use of insider information and trading, for example the closed window period.

Evli Bank maintains a register of permanent insiders, which includes members of the Board of Directors and Executive Group. Evli Bank also maintains registers of project-

* Includes holdings of Ingman Group Oy Ab

specific and transaction-specific insiders that are required at any given time. The insider registers are maintained in the Euroclear Finland Ltd's SIRE system.

Evli Bank has also specified that members of the Board of Directors and Executive Group and their related parties

are required to disclose their business transactions with Evli Bank Plc's shares and other financial instruments based on these. The register of persons subject to the disclosure requirement is maintained in the Euroclear Finland Ltd's SIRE system.

RISK MANAGEMENT AND INTERNAL AUDIT

Evli's values, and its policy of transparent and appropriate communications, support the company's operational integrity and high ethical standards. The company's organizational structure, clearly established responsibilities and authorizations, and its competent staff support the planning, execution, control and monitoring of business operations in a manner that facilitates the achievement of the set objectives.

Risk management refers to those actions aimed at systematically surveying, identifying, analyzing and preventing risks. The objective of risk management is to ensure that the company's assets are sufficient in relation to its risk positions, that financial results and valuations remain within the confirmed objectives and limits, and that risks are priced in the right way to achieve sustainable profitability.

The objective of risk management is to support the uninterrupted implementation of the Group's strategy and income generation. Evli Bank defines risk as an event or series of events that jeopardize the company's income generation over the short or long term.

Evli Bank's Board of Directors is primarily responsible for the Evli Group's risk management, and confirms the risk management policies, the Group's risk limits and other guidelines governing how risk management and internal oversight is to be organized. The Board has also set up a credit and asset liability committee (Credalco) that briefs it on risk-taking matters.

In addition to the general risk management policies, the Evli Group's risk management is founded on the "three lines of defense" model.

FIRST LINE OF DEFENSE – BUSINESS UNITS

Risk management is part of internal control, and therefore the responsibility for executing risk management measures lies first with the business units, as the first line of defense. The managers of the business units are responsible for ensuring that risk management is at a sufficient level in

each respective unit. They develop risk management and internal control processes and competence, identify and analyze risks, and make decisions on risk management with the aid of various protection measures.

SECOND LINE OF DEFENSE – COMPLIANCE AND RISK MANAGEMENT FUNCTIONS

The second line of defense comprises the independent compliance and risk management operations whose primary task is to develop, maintain and oversee the general principles and framework of risk management.

The Risk Management unit oversees daily operations and compliance with the risk limits granted to the business units, as well as compliance with risk-taking policies and guidelines. Risk management reports on the Group's overall risk position to the Board and the Executive Group each month.

The compliance function is responsible for ensuring compliance with the rules in all of the Evli Group's operations by supporting operating management and the business units in applying the provisions of the law, the official regulations and internal guidelines, and in identifying, managing and reporting on any risks of insufficient compliance with the rules in accordance with the separate compliance policy and monitoring plan confirmed by Evli Bank's Board of Directors. The compliance function reports regularly via the audit committee to Evli Bank's Board and also to the operating management.

THIRD LINE OF DEFENSE – INTERNAL AUDIT

Internal audit is a support function for the Board of Directors and senior management and is independent of the business functions. It is administratively subordinate to the CEO and it reports to the CEO and, via the Audit Committee, to the Board of Evli Bank.

Internal audit assesses the functioning of the Evli Group's internal control system, the appropriateness and effectiveness of the functions and compliance with instructions. It does this by means of inspections that are based on the internal audit action plan adopted annually by the Audit Committee of the Board of Evli Bank. Evli's Board of Directors, management and personnel can make use of the assessments for operational management, control

and development purposes. Internal audit also proposes measures for developing risk management, internal control and managerial and administrative processes.

Internal audit follows not only the internal audit guidelines but also the internationally acknowledged framework of professional practices (The Institute of Internal Auditors) and corresponding information systems audit standards (Information Systems Audit and Control Association).

AUDITORS

The shareholders elect the company's auditors each year at the Annual General Meeting. The auditors must be an auditing firm approved by the Finland Chamber of Commerce. The auditors' term continues until the end of the first AGM that follows the election of the auditors. The auditors' duties are to ensure that the financial statements have been prepared in accordance with the applicable statutes and provide a true and fair view of the company's financial position and performance and other necessary information for the company's stakeholders.

As part of their annual audit duties, the auditors of Evli Bank Plc audit the accounts and administration of the separate companies. The internal control requirements are taken into account in the auditors' audit plans. Each year, the auditors submit their report to the Annual General Meeting of Evli Bank Plc. The auditors also report the main

points of the annual audit plan to the Board of Directors and to the Board's Audit Committee as well as presenting, in connection with each interim report and the financial statements, a written audit report covering the entire Group.

The 2016 AGM elected KPMG Oy Ab, Authorized Public Accountants, as the company's auditor and Marcus Tötterman, APA, as the principally responsible auditor. KPMG generally serves as the auditor for all the subsidiaries, with the exception of Terra Nova Ltd and EAM Finland Ltd. Terra Nova's auditor was RSM Dahman Auditors and the auditor for EAM Finland Ltd was Ernst & Young Oy, with Robert Söderlund as the principally responsible auditor.

In 2016 the auditing firms were paid fees totaling EUR 274,050.52. The fees for auditing came to EUR 247,496.57, and the fees for advisory services unconnected with auditing were EUR 26,553.95.

DESCRIPTION OF THE EVLI GROUP'S FINANCIAL REPORTING PROCESS

The Board of Directors is responsible for overseeing the Evli Group's financial reporting. The Audit Committee assists the Board in this work. The CEO's and CFO's task is to monitor and ensure that the accounting and the financial reporting accord with the law, the Group's accounting policies and the guidelines and orders issued by the Group's Board of Directors.

The Group's accounting and results reporting are centralized under the responsibility of the Group's Financial Administration unit. The Financial Administration unit is subordinate to the CFO and is responsible for producing on a centralized basis the financial statements information required for external accounting. The unit also produces internal accounting analyses and the results reports for monitoring business activities, the separate companies and the Group's profitability. Profit performance is reported monthly both to the Executive Group and the Board of Directors in the form of specific results reports. The aim is to identify and demonstrate success factors as well as

development areas well in advance, thus making it possible to react to these. Reporting practices are also used for monitoring the implementation of the business plans for the business units. The Group's Financial Administration unit is also responsible for monitoring and reporting on the performance of each business unit. Further responsibilities include reporting the financial results, sales and activity at least monthly, and even daily depending on the unit, to the Executive Group and other concerned parties. The Evli Group complies with the International Financial Reporting Standards (IFRS) approved for application in the EU. The Group prepares the annual financial statements and also a quarterly interim report (IAS34). The instructions on financial reporting and the accounting principles are applied in all the Group companies. The accounting of all the Group companies is included in the same accounting system, with the exception of Group companies in Russia and the United Arab Emirates.

Board of Directors

The composition of the Board of Directors was resolved at Evli Bank Plc's Annual General Meeting on March 8, 2016.



Henrik Andersin, born 1960

M.Sc. (Econ.)

- One of Evli Bank's founding partners and main owners
- Chairman of the Board of Directors of Nokian Panimo Oy
- Member of the Board of Directors of Evli Bank Plc since 1985, CEO of Evli Bank Plc 1994–2006 and Chairman of the Board since 2006
- Shareholding: Holdings through controlled company 3,803,280 A shares and 950,820 B shares



Harri-Pekka Kaukonen, born 1963

D.Sc. (Tech.)

- President and CEO of Sanoma Group 2011–2015
- Chairman of the Boards of Directors of Esperio Care Holding Oy and Suomen Asuntoneuvoja Oy, Member of the Boards of Directors of Ahlström Oyj, Lindström Oy, Tieto Oyj and Renideo Group
- Member of the Board of Directors of Evli Bank Plc since 2008
- Shareholding: 1,991 B shares



Robert Ingman, born 1961

M.Sc. (Tech.), M.Sc. (Econ. and Business Administration)

- Chairman of the Boards of Directors of Ingman Group Oy Ab, Ingman Finance Oy Ab, Halti Oy and Qt Group Ltd, Member of the Boards of Directors of Arla Oy Ab, Digia Oyj and M-Brain Oy
- Member of the Board of Directors of Evli Bank Plc since 2010
- Shareholding: 1,860,000 A shares, 502,000 B shares*
* Includes holdings of Ingman Group Oy Ab



Johanna Lamminen, born 1966

D.Sc. (Tech.), MBA

- Managing Director of Gasum Ltd.
- Chairman of the Board of Directors of Skangas AS, Member of the Board of Directors of Tieto Oyj
- Member of the Board of Directors of Evli Bank Plc since October 2015
- Shareholding: 306 B shares

Board of Directors



Mikael Lilius, born 1949

B.Sc. (Econ. and Business Administration)

- Previously served as a Senior Advisor at Fortum Corporation
- President and CEO of Fortum Corporation 2000–2009, and before this held various supervisory positions in the industry sector
- Chairman of the Boards of Directors of Metso Oyj, Wärtsilä Oyj and Ahlström Capital Oy, Member of the Board of Directors of Oy Kelonia Ab
- Member of the Board of Directors of Evli Bank Plc since 2010.
- Shareholding: 11,795 B shares



Teuvo Salminen born 1954

M.Sc. (Econ. and Business Administration)

- Various supervisory positions in Pöyry Plc 1985–2009
- Chairman of the Board of Directors of Havator Oy, Member of the Boards of Directors of Holiday Club Resorts Oy, Cargotec Oyj, Glaston Oyj, Pöyry Oyj and 3Step It Group Oy
- Member of the Board of Directors of Evli Bank Plc since 2010
- Shareholding: 5,986 B shares



Thomas Thesleff, born 1951

M.A.

- One of Evli Bank's founding partners and main owners
- In addition to Evli, holds several posts of trust
- Member of the Board of Directors of Evli Bank Plc since 1985, CEO of Evli Bank Plc 1985–1994 and Chairman of the Board 1994–2006
- Shareholding: Holdings through controlled company 3,803,280 A shares and 950,820 B shares

Shareholdings on December 31, 2016.

The figures do not include holdings of interest parties.

Management Group



Maunu Lehtimäki

M.Sc. (Econ.), born 1967

- Chief Executive Officer
- Joined Evli Bank Plc in 1996
- Shareholding: 433,728 A shares and 108,432 B shares



Mari Etholén

LLB, born 1973

- Legal and human resources functions
- Joined Evli Bank Plc in 2001
- Shareholding: 60,000 A shares and 15,306 B shares



Panu Jousimies

M.Sc. (Econ.), born 1969

- Execution and Operations unit
- Joined Evli Bank Plc in 1997
- Shareholding: 179,072 A shares and 44,868 B shares



Lea Keinänen

Certificate in Business Studies, MBA, born 1966

- Institutional clients
- Head of Wealth Management, Funds
- Joined Evli Bank Plc in 1998
- Shareholding: 138,848 A shares and 34,712 B shares

Management Group



Juho Mikola

M.Sc. (Econ.), born 1981

- Financial and Group administration
- Joined Evli Bank Plc in 2004
- Shareholding: 68,000 A shares and 17,219 B shares



Esa Pensala

M.Sc. (Tech.), born 1974

- Private clients
- Joined Evli Bank Plc in 2001
- Shareholding: 142,000 A shares and 35,500 B shares



Mikael Thunved

B.Sc. (Econ.), born 1965

- Corporate Finance business area
- Joined Evli Bank Plc in 2002
- Shareholding: 522 B shares, holdings through controlled company 224,000 A shares and 56,000 B shares

