

Corporate Governance Statement financial year 2023

Ålandsbanken Abp



ÅLANDSBANKEN

Corporate Governance Statement

The Corporate Governance Statement is being issued as a separate report in conjunction with the Report of the Directors for 2023 and was prepared by the Audit Committee of the Board of Directors.

Legislation and recommendations on corporate governance

The Finnish Corporate Governance Code 2020 (“the Code”), which is available on the website www.cgfinland.fi, is intended to be followed by companies listed on the Nasdaq OMX Helsinki (“Helsinki Stock Exchange”). The Code is applied according to the “comply or explain” principle, which means that departures from its recommendations must be disclosed and explained. A company is regarded as complying with the Code even if it departs from an individual recommendation, provided that it discloses and explains the departure.

The Bank of Åland Plc (“the Bank”), which is listed on the Helsinki Stock Exchange, is a public company domiciled in Mariehamn, Finland. The Bank is subject to legislation including the Finnish Companies Act, the Credit Institutions Act and the Securities Markets Act, as well as the Bank’s Articles of Association and the Code. The Corporate Governance Statement has been prepared in compliance with the Code’s reporting instructions and according to the Finnish Securities Market Act, Chapter 7, Section 7. In applying the Code, the Bank departs from Recommendation 15, “Appointment of Members to a Committee”, since the Bank’s Compensation Committee includes one co-opted member who is not a member of the Bank’s Board of Directors. The co-opted member is also Chairman of the Committee. The purpose of this departure is to broaden the Compensation Committee’s experience and expertise base on compensation matters. The need for outside expertise is assessed separately before each appointment date. On April 16, 2015, the Annual General Meeting of the Bank of Åland approved departures from Recommendation 18, “Nomination Committee” and Recommendation 19, “Shareholders’ Nomination Board”. The Nomination Committee shall consist of the Chairman of the Board plus representatives of the three shareholders with the largest voting power in the Bank on November 1 of the respective year. If a shareholder abstains from participating in the Nomination Committee, the right of membership is transferred to the next largest shareholder.

This Corporate Governance Statement, the Articles of Association and other disclosures required according to the Code are available at the Company’s website, www.alandsbanken.fi.

Board of Directors

COMPOSITION OF THE BOARD

The members of the Board of Directors are elected by the shareholders at the Annual General Meeting (AGM). The Board’s term of office ends at the closing of the next AGM after the election. According to the Articles of Association, the Board shall consist of at least five and at most eight members. During 2023, the Board consisted of seven members up to and including the AGM on March 29, 2023, when Åsa Ceder resigned. During the rest of 2023, the Board comprised six members. The Managing Director may not be a member of the Board.

PRESENTATION OF BOARD MEMBERS AND THEIR SHAREHOLDINGS IN THE BANK

Composition of the Board, 2023

Name, main occupation and education	Year of birth Board members since what year Place of residence	Board members’ shareholdings in the Bank on December 31, 2023 (direct ownership or via companies which the Board member controls). There are no shareholdings in other Bank of Åland Group companies.
Nils Lampi, Chairman CEO, Wiklöf Holding Ab Bachelor of Economic Sciences	Born 1948 Member since 2013 Mariehamn, Åland	Series A shares: 567 Series B shares: 5,867
Christoffer Taxell, Deputy Chairman Master of Laws	Born 1948 Member since 2013 Turku, Finland	Series A shares: 0 Series B shares: 1,833
Åsa Ceder ¹ Master of Science in Economics Actuary	Born 1965 Member since 2016 Mariehamn, Åland	Series A shares: 0 Series B shares: 0
Anders Å Karlsson Business owner Bachelor of Commerce	Born 1959 Member since 2012 Lemland, Åland	Series A shares: 3,000 Series B shares: 1,500
Mirel Leino-Haltia PhD (Econ.), CFA	Born 1971 Member since 2022 Helsinki, Finland	Series A shares: 0 Series B shares: 40
Ulrika Valassi Business owner Master of Business Administration	Born 1967 Member since 2015 Stockholm, Sweden	Series A shares: 0 Series B shares: 0
Anders Wiklöf Business owner Doctor of Economics (honorary) Commercial Counsellor	Born 1946 Member since 2006 Mariehamn, Åland	Series A shares: 1,993,534 Series B shares: 1,332,961

¹ Resigned from the Board effective after the AGM on March 29, 2023.

THE BOARD'S ASSESSMENT OF THE INDEPENDENCE OF ITS MEMBERS IN RELATION TO THE BANK AND MAJOR SHAREHOLDERS

In the assessment of the Board of Directors, the Chairman of the Board and all other Board members are independent of the Bank. Christoffer Taxell, Mirel Leino-Haltia and Ulrika Valassi are also independent in relation to major shareholders. Nils Lampi, Chairman of the Board, is deemed to be dependent in relation to a major shareholder since he is CEO of Wiklöf Holding, which is a major shareholder in the Bank. Anders Wiklöf is regarded as dependent in relation to a major shareholder due to his direct and indirect shareholding in the Bank. Anders Å Karlsson is deemed to be dependent in relation to a major shareholder in the Bank since he is a Board member of Alandia Försäkring Abp, which has a major shareholding in the Bank.

THE WORK OF THE BOARD

The Board of Directors oversees the administration of the Bank's affairs and is responsible for ensuring that its operations are appropriately organised. The Board is also responsible for overall policy and strategy issues and for ensuring that risk oversight is sufficient and that management systems are working. The duties of the Board also include appointing and, if necessary, dismissing the Managing Director, his deputy and other members of the Executive Team, as well as deciding their salary benefits and other employment conditions. The Board shall constitute a quorum when more than half its members are present.

The Board has established Group-wide internal Rules of Procedure for its work. These Rules of Procedure, which are evaluated annually and revised as needed, mainly regulate the division of labour between the

Board, the Managing Director and other members of the Executive Team. The Rules of Procedure also regulates meeting procedures, minutes of meetings and reporting procedures. The Board of Directors, which meets after being convened by the Chairman of the Board, regularly discusses the economic situation in the financial markets.

Supported by the Managing Director's recurrent reports on operational activities, the Board monitors the strategy, financial outcomes and overall long-term objectives of the Bank's operations. Beyond this, the Board deals with other matters raised in compliance with the Annual Accounts Act, the Articles of Association and other regulations that affect the Bank's operations and administration, as well as matters referred by individual Board members and by the Executive Team.

EVALUATION OF THE WORK OF THE BOARD

The Board of Directors conducts a yearly internal evaluation of its performance and its work. The evaluation includes a questionnaire in which each Board member assesses the work of the Board during the year. The Chairman of the Board also has individual conversations with each Board member. Led by the Chairman of the Board, the evaluation is also discussed and dealt with at a subsequent Board meeting, and decisions are made on actions to be taken as a result of the evaluation.

BOARD MEETINGS

During 2023, the Board held 16 (22) meetings. The Board members' average attendance was 100 (97) per cent. During 2023, each Board member attended Board and committee meetings as follows:

Attendance at Board meetings, 2023

Board member	Board meetings Total number: 16
Nils Lampi	16/16
Christoffer Taxell	16/16
Åsa Ceder ¹	4/4
Anders Å Karlsson	22/22
Mirel Leino-Haltia	17/17
Ulrika Valassi	22/22
Anders Wiklöf	19/22

¹ Resigned from the Board effective after the AGM on March 29, 2023.

DIVERSITY PRINCIPLES

According to the Credit Institutions Act and the Code, the Board shall establish principles for promoting diversity in the composition of the Board and have as a goal of the credit institution that both genders shall be equally represented on the Board. The Bank of Åland seeks a good balance in the composition of the Board, with the aim that the Board as a whole shall possess the expertise and experience required to monitor and develop the Company. Achieving this goal requires that as a group, the Board possesses a breadth in terms of education, personal qualities, experience, gender and age. Allocation between genders shall be equal, and both genders shall thus be represented in the proposal that is presented on the occasion of each nomination as a new Board member. During the financial year, the members of the Board have collectively achieved the variation in education, experience and talents required for the task. Both genders are represented on the Board, with the allocation between the genders being 33 per cent women and 67 per cent men. Up to and including the AGM on March 29, 2023, the allocation was 43 per cent women and 57 per cent men.

The committees of the Board

NOMINATION COMMITTEE

The main duty of the Nomination Committee is to prepare proposals before the AGM regarding the election of Board members as well as proposals concerning fees to the Chairman, Vice Chairman and other Board members.

Rules on how the Nomination Committee is appointed were established by the 2015 AGM. The Nomination Committee consists of four members: the Chairman of the Board and representatives of the three largest shareholders in the Bank in terms of voting power on November 1 of each year. If the Chairman of the Board represents any of the above shareholders, or in case a shareholder abstains from participating in the Nomination Committee, the right of membership is transferred to the next largest shareholder. The representative of the largest shareholder in terms of voting power is Chairman of the Nomination Committee.

The Nomination Committee consists of Nils Lampi, Chairman of the Board; Board member Anders Wiklöf, by virtue of direct and indirect personal shareholdings; Stefan Björkman, representing the insurance company Alandia Försäkring Abp; and Georg Ehrnrooth, representing Fennogens Investments S.A. Anders Wiklöf is Chairman of the Nomination Committee.

During 2023 the Nomination Committee met 2 (2) times. The average attendance of Committee members was 100 (100) per cent.

Attendance at Nomination Committee meetings, 2023

Member	Nomination Committee meetings Total number: 2
Anders Wiklöf, <i>Chairman of the Committee</i>	2/2
Nils Lampi	2/2
Stefan Björkman	2/2
Georg Ehrnrooth	2/2

AUDIT COMMITTEE

The Board of Directors, which appoints the members of the Audit Committee, has established its duties in Rules of Procedure. The Audit Committee assists the Board, among other things, in fulfilling its duties in overseeing the internal control and risk management systems, reporting, the audit process and observance of laws and regulations. In addition, before the AGM the Audit Committee prepares proposals for the election of auditors and their fees. The Chairman of the Audit Committee reports regularly to the Board about the work and observations of the Committee.

The Audit Committee consists of Nils Lampi, Chairman of the Board; and Board members Anders Å Karlsson, Mirel Leino-Haltia and Ulrika Valassi, Chairman of the Audit Committee. During 2022 the Audit Committee met 9 (10) times.

The average attendance of Committee members was 100 (100) per cent.

Attendance at Audit Committee meetings, 2023

Member	Audit Committee meetings Total number: 9
Ulrika Valassi, <i>Chairman of the Committee</i>	9/9
Anders Å Karlsson	9/9
Mirel Leino-Haltia	9/9
Nils Lampi	9/9

COMPENSATION COMMITTEE

The duties of the Compensation Committee are to prepare key compensation-related decisions and evaluate the Bank's compensation policy and the principles for variable compensation. The Compensation Committee decides on measures for monitoring the application of the principles for the compensation system and assesses its suitability and effect on the Group's risks and risk management.

The Compensation Committee consists of Nils Lampi, Chairman of the Board; Board member Christoffer Taxell; and Agneta Karlsson as a co-opted member and Chairman of the Committee.

During 2023 the Compensation Committee met 3 (4) times. The average attendance of Committee members was 100 (100) per cent.

Attendance at Compensation Committee meetings, 2023

Member	Audit Committee meetings Total number: 3
Agneta Karlsson, <i>Chairman of the Committee</i>	3/3
Nils Lampi	3/3
Christoffer Taxell	3/3

Managing Director

The Managing Director of the Bank is Peter Wiklöf, Master of Laws (born 1966). The Managing Director's shareholdings in the Bank can be seen in the table to the right.

Among other things, the Managing Director is responsible for the day-to-day administration of the Bank and for ensuring that this is managed in compliance with law, the Articles of Association, other regulations and the instructions and directions of the Board. In addition, the Managing Director is responsible for ensuring that the decisions of the Board are implemented.

The Managing Director reports regularly to the Board. The Managing Director is appointed and dismissed by the Board of Directors. His employment conditions are established in a written contract that is approved by the Board.

The Group's Executive Team – other members

The Board appoints the other members of the Group-wide Executive Team. The other members of the Executive Team advise the Managing Director, and the Executive Team deals with all major Bank-wide issues. The Executive Team consists of the heads of the Bank's business areas and corporate units.

Their shareholdings in the Bank can be seen in the table below.

During 2023 the Executive Team met on 11 (11) occasions.

DISCLOSURES ABOUT EXECUTIVE TEAM MEMBERS, INCLUDING THE MANAGING DIRECTOR, AND THEIR SHAREHOLDINGS IN THE BANK

The Group-wide Executive Team, 2023		
Composition of the Executive Team and its members' areas of responsibility	Education Year of birth Executive Team member since what year	Shareholdings in the Bank on December 31, 2023 (direct ownership or via companies which the person controls). There are no shareholdings in other Bank of Åland Group companies.
Peter Wiklöf Managing Director, Chief Executive Chairman of the Executive Team	Master of Laws Born 1966 Member since 2008	Series A shares: 500 Series B shares: 38,598
Jan-Gunnar Eurell Chief Financial Officer Deputy Managing Director	Bachelor of Science (Economics) Master of Business Administration Born 1959 Member since 2011	Series A shares: 0 Series B shares: 37,146
Tove Erikslund Chief Administrative Officer	Master of Business Administration Born 1967 Member since 2006	Series A shares: 0 Series B shares: 8,252
Sofie Holmström Manager, Partnerships Business Area	Master of Science in Engineering Bachelor of Arts in Economics Born 1985 Member since 2021	Series A shares: 0 Series B shares: 1,148
Magnus Johansson Director, Sweden Business Area	Bachelor of Science (Economics) Born 1972 Member since 2017	Series A shares: 0 Series B shares: 19,735
Mikael Mörn Director, Åland Business Area	Associate of Arts in Commerce Born 1965 Member since 2017	Series A shares: 0 Series B shares: 6,668
Juhana Rauthovi Chief Risk & Compliance Officer	Licentiate in Laws, M.Sc. (Econ.), M.Sc. (Tech.) Master in International Management Born 1975 Member since 2012	Series A shares: 0 Series B shares: 14,633
Anne-Maria Salenius Director, Finnish Mainland Business Area	Master of Laws Attorney at Law Born 1964 Member since 2010	Series A shares: 0 Series B shares: 10,956

EVALUATION OF THE WORK OF THE MANAGING DIRECTOR AND THE EXECUTIVE TEAM

The Board of Directors, led by the Chairman of the Board, evaluates the work of the Managing Director and the rest of the Executive Team yearly. The Managing Director and other members of the Executive Team do not attend this evaluation.

Internal controls and risk management systems related to the financial reporting process

GENERAL

Internal controls and risk management in the financial reporting process are an integral element of operational systems and daily routines. To achieve this integration, the Group employs clear and easily accessible internal instructions. In developing new systems, products, services and/or routines, internal controls are taken into account. The organisation has clearly defined responsibilities and powers as well as clear reporting mechanisms.

FINANCIAL REPORTING PROCESS

The fundamental principles of internal controls in the financial reporting process are a clear allocation of roles as well as instructions and an understanding of how financial results are achieved.

The Group's reporting is compiled centrally by Group Finance. This department is responsible for the consolidated accounts and the consolidated financial statements, accounting principles, policy documents and instructions, financial control systems, tax analysis, reporting to regulatory authorities and publication of financial information. The respective subsidiaries are responsible for ensuring that their accounts meet the Group's standards, and they report monthly to their company's management and Group Finance.

The Internal Auditing Department assists the external auditors with the examination of financial information in accordance with an audit plan drawn up in advance. Internal Auditing is an independent unit and works on behalf of the Board of Directors.

External auditors examine the Group's interim reports, half-year financial report, Annual Report and Corporate Governance Statement and submit an auditors' report to the Audit Committee and to the Group's Board of Directors.

The Group's Executive Team deals with the Group's internal financial reporting every month and with the interim reports, half-year financial report or the Annual Report every quarter.

The Audit Committee assists the Board in its continuous monitoring work by examining

the quarterly financial reports, the half-year financial report and the annual financial statements, as well as dealing with the observations of the external and internal auditors.

The Board of Directors deals with interim reports, the half-year financial report or the Annual Report every quarter and receives the Group's internal financial reporting every month. The Board also examines the auditors' reports, audit plans and conclusions of the external auditors concerning interim reports, the half-year financial report and the Annual Report. The Board meets with the external auditors at least quarterly.

RISK MANAGEMENT

The Group's ambition is to pursue its operations with reasonable and carefully considered risks. Its profitability directly depends on the ability of the organisation to identify, manage and price risks. The purpose of risk management is to reduce the probability of unforeseen losses and/or threats to the Group's reputation as well as contribute to higher profitability and shareholder value.

The Group is exposed to credit risk, counterparty risk, market risk, liquidity risk, operational risk and business risk. The latter is a consequence of the Group's strategy, competitiveness, ability to adapt to customer expectations, unfavourable business decisions and the environment and market the Group works in. Business risk is managed in conjunction with strategic planning. Credit risk, which is the Group's most significant risk, encompasses receivables from private individuals, companies, institutions and the public sector. These receivables mainly consist of loans, overdraft facilities and guarantees issued by the Bank.

The Board of Directors has overall responsibility for governance and monitoring, that is, for ensuring that risk management is sufficient and for establishing systems and regulations for monitoring and limiting the Bank's risk exposure. The Audit Committee assists the Board in handling these oversight tasks in internal control systems, risk management and reporting. The Managing Director oversees and supervises business operations in accordance with the Board's instructions, is responsible for day-to-day administration and for ensuring that the members of the Board receive sufficient information regularly about

the Group's risk positions and the regulations that affect its operations.

The Bank works according to an allocation of responsibility between three different lines of defence, in which each part of its business operations within the first line of defence bears responsibility for its business and for managing its risks. Within the second line of defence, the Risk Office Corporate Unit is responsible for independent risk monitoring (financial risks) and operational risks (among other things compliance with regulations). The Risk Office Corporate Unit is also responsible for the credit approval process. This includes identifying, measuring, analysing and reporting all of the Group's significant risks as well as examining the loan matters presented to the Credit Committee of the Executive Team. The Risk Office is also responsible for data protection as well as informational and corporate security in the Group. In addition, the corporate unit ensures that risks and risk management live up to the Bank's risk appetite and risk tolerance and that the management of the Bank regularly receives reports and analyses on the current situation. Within the third line of defence, the Risk Office is audited by the Internal Auditing Department, which evaluates risk management both in terms of sufficiency and compliance.

In addition to the regulations and instructions of the Finnish Financial Supervisory Authority and national legislation, the main foundations of the Group's risk management are numerous directives and regulations at the European Union level. For more detailed information on the Group's risk management, capital management, evaluation of capital requirements and capital adequacy information, see the Capital and Risk Management Report for 2023. The report is posted on the Bank's website, www.alandsbanken.fi.

LENDING STRUCTURE

At the Bank, the Private Banking and Premium Banking units in Åland, on the Finnish mainland and in Sweden bear responsibility for lending via mandates. Those employees who work with lending have personal loan granting limits for the customers that they are responsible for. In Åland there is also a corporate lending unit. Responsibility for lending rests with the management of each

respective unit along with those responsible for customers according to the above-mentioned structure. If decisions regarding larger loans are needed, there is a Credit Committee for operations in Finland and one for operations in Sweden. In addition, there is a Credit Committee of the Executive Team for credit matters that cannot be decided by the country-specific units due to their size. The largest commitments are decided by the Bank's Board of Directors.

During 2022 the Bank transferred to the mortgage company Borgo AB the majority of the mortgage portfolio that was built up via partnerships. Part of the Bank's own mortgage loans were also transferred to Borgo AB. As a result of this collaboration, part of the new mortgage loans that the Bank provides to its customers will be issued by Borgo AB.

COMPLIANCE

Independent monitoring and assessment of the Bank's compliance with regulations is managed by the Group's Compliance department, with a focus on customer protection, behaviour in the market, combating money laundering and the financing of terrorism as well as permitting and regulatory matters. The Compliance department regularly reports its observations to the Bank's Executive Team and Board of Directors.

Internal Auditing

The Internal Auditing department is an independent department that reports directly to the Board of Directors.

The purpose of internal auditing work is to provide the Board and the Executive Team with objective and independent assessments of operational activities, operational business and management processes and the Group's risk management, governance and controls. Internal Auditing reports regularly to the Board, the Audit Committee and the Executive Team. The Board adopts a yearly plan for internal auditing work.

Special decision-making procedure concerning related party transactions

Decisions on loans to related parties are made by the Bank's Board of Directors.

Regulations for related party transactions

The Bank has established internal regulations for identification and decision-making concerning transactions with related parties. The internal regulations govern such matters as identification, reporting and oversight of related party transactions as well as the decision-making process and management of conflicts of interest.

Insider administration

In their capacities as an investment firm and a fund management company, respectively, the Bank of Åland and its subsidiary Ålandsbanken Fondbolag maintain insider registers in compliance with the Act on Investment Services or the Act on Mutual Funds.

In its capacity as a listed company, the Bank only maintains project-specific insider lists. These project-specific insider lists are established immediately when information that the Bank, in compliance with applicable regulations, deems to be insider information arises. Persons included on project-specific insider lists are prohibited from trading in the Bank's financial instruments as long as they are included on such a list.

The Bank does not maintain any permanent insider list, or any list of persons who participate in the preparation of interim reports and annual accounts. Persons discharging managerial responsibilities at the Bank and persons closely associated with them are obligated to immediately report their transactions in the Bank's financial instruments. The Bank publishes stock exchange releases on these transactions.

In accordance with the EU's Market Abuse Regulation and the insider regulations of the Nasdaq Helsinki Oy (the Helsinki Stock Exchange), the Bank of Åland Group has introduced a trading restriction, under which persons in management positions as well as all Group employees may not trade in the Bank's financial instruments during a 30-day period before and including the publication date of the Bank's financial reports. The trading restriction also includes minors for whom persons in management positions or Group employees are guardians, as well as organisations in which people in manage-

ment positions or Group employees have a controlling influence.

The Bank observes a silent period of three weeks prior to the publication of an interim report, half-year financial report or year-end report.

For employees who participate in providing investment services, the Bank also applies Group-wide trading restrictions that are based on the trading rules established by such professional organisations as Finance Finland, the Swedish Securities Dealers Association and the Swedish Investment Fund Association.

The Bank's Legal Affairs department regularly monitors information reported to the insider register and insider lists, as well as information about people in management positions and their related parties. The Bank's Compliance department regularly monitors employee compliance with the trade restrictions in force.

Auditors

According to the amendment to its Articles of Association adopted by the AGM on March 29, 2023, the Bank shall have at least one auditor and the necessary number of deputies for them. Auditors are appointed yearly at the AGM for the period up to the end of the next Annual General Meeting.

The 2023 AGM elected the authorised accounting firm KPMG Oy Ab as auditor, with Henry Maarala as auditor in charge.

During 2023, Group companies paid a total of EUR 443,195 (434,175) including value-added tax for auditing fees. In addition, they paid EUR 129,743 (283,344) including VAT for consulting assignments performed by KPMG Oy Ab.

Compensation to the Board, Managing Director and other Executive Team members

The Bank's compensation statement, including its compensation report for 2023, has been published in Swedish and Finnish on the Bank's website, www.alandsbanken.fi.

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