

# Corporate Governance Report

Coop Pank AS implements the Corporate Governance Recommendations (hereinafter CGR) approved by the Nasdaq Tallinn Stock Exchange and the Financial Supervision Authority since the listing of Coop Pank AS shares on the Tallinn Stock Exchange main list on 10 December of 2019. The report provides an overview of Coop Pank AS management and compliance with CGR guidelines. Coop Pank AS complies with the recommendations of the Good Corporate Governance, unless otherwise stated in this report.

## 1. General Meeting

Coop Pank is a public limited company whose management bodies are the General Meeting of Shareholders, the Supervisory Board and the Management Board. The General Meeting is the highest directing body of the bank, where the shareholders exercise their rights. The competence of the General Meeting is provided by law and the Articles of Association of the bank. For example, the General Meeting is competent to amend the Articles of Association, increase and decrease the share capital, decide on the issue of convertible bonds, elect and extend the term, as well as decide on the early removal of the Supervisory Board members, approve the annual report and distribute the profit, approve the share option program, appoint and dismiss the auditor.

Every shareholder is entitled to participate in the General Meeting, to speak at the General Meeting on the topics in the agenda and to ask reasonable questions and make proposals. In 2021, no shareholders' questions on agenda topics were raised before the General Meeting. A shareholder may attend the General Meeting and vote at the meeting in person or through a duly authorized representative. The General Meetings are held on business days in Tallinn.

The General Meeting is called by the Management Board. The Annual General Meeting, which approves the annual report, is held at least once a year. The Management Board shall call an Annual General Meeting not later than four months after the end of the financial year. The Management Board shall give the notice of both the Annual and Special General Meetings at least three weeks in advance by publishing the notice of convening the General Meeting through the information system of the Nasdaq Tallinn Stock Exchange as well as on its homepage and at least through one daily national newspaper.

The agenda of the General Meeting, the proposals of the Management Board and the Supervisory Board, the draft resolutions and other relevant materials shall be made available to the shareholders before the General Meeting. In 2021, from the announcement of the General Meetings until the day of the General Meeting, the shareholders had access to the materials and draft resolutions of the General Meetings and other documents required by law on the bank's homepage and at the bank's headquarters on workdays from 09:00-17:00 at Narva mnt 4, Tallinn. Shareholders are given the opportunity to ask questions on the agenda before the General Meeting.

Following and participation in the General Meeting via means of communication has not been made available (CGC clause 1.3.3), since there has been no need, demand nor suitable technical solution for that.

In 2021, one Annual General Meeting was held. The Annual General Meeting of Shareholders that took place on 14 April of 2021 approved the Annual Report 2020, distributed the profit for the year 2020 and it was decided not to pay dividends. One member of the Supervisory Board was recalled and a new member were elected. The General Meeting was held in Estonian language. The meeting was chaired by Mariann Suik, Head of the Legal Department of the bank and lawyer Renno Mägi took minutes of the meeting. All Management Board and Supervisory Board members of the bank attended the General Meeting. Also, the auditors of the Bank from AS PricewaterhouseCoopers, Tiit Raimla and Evelin Lindvers and the notary Annika Kuimet, who attested the General Meeting minutes and resolutions, attended the meeting.

## 2. Management Board

### 2.1. Responsibilities of the Management Board

The Management Board is the governing body of Coop Pank, that represents and manages the bank on daily basis. According to the Articles of Association, every member of the Management Board may represent the bank in all legal acts. The members of the Board are elected and removed by the Council. The consent of the Board member is required for the election. According to the Articles of Association of the bank, the Management Board comprises three to seven members. The term of office of a Management Board member is three years. Each member of the Management Board has his or her area of responsibility, which is determined by the agreement of the Management Board member. On the basis of the authorization received from the Supervisory Board, the chairman of the Supervisory Board shall enter into an agreement with the member of the management board to perform his or her duties. According the restrictions set out in the Credit Institutions Act, until 2021, the members of the management board of the bank could not simultaneously participate in the work of the management board or Supervisory Board of other companies. Contrary to the above, there was no restriction on the work of the management bodies of the Bank's consolidation group companies. From 2021, the members of the Bank's Management Board may additionally hold one member of the Management Board and two members of the Supervisory Board, or four members of the Supervisory Board. The positions of head of the group shall be considered as one position.

In accordance with the agreements concluded with the Management Board members, the extension of the term of office of a Management Board member shall be decided 3 months before the expiry of the term of office. The Supervisory Board shall appoint the chairman of the Management Board. The chairman of the Management Board shall organize the work of the Management Board. The Supervisory Board may dismiss a member of the Management Board regardless of the reason. A member of the Management Board may resign from the Management Board regardless of the reason with prior notice to the Supervisory Board. The rights and obligations arising from the agreement, concluded with the member of the Management Board, shall expire in accordance with the agreement.

Persons with sufficient knowledge and experience to participate in the work of the bank's Management Board shall be elected as members of the Management Board. For the selection and evaluation of the bank's Management Board and Supervisory Board members, the bank has adopted "Suitability assessment policy", which is implemented in conjunction with applicable legislation (the Credit Institutions Act in particular) as well as with the recommendations manual and other relevant guidance documents issued by the Financial Supervision Authority and / or other supervisory agencies.

As of 31.12.2021, the Management Board of the bank comprised of five members: Margus Rink (chairman), Kerli Lõhmus, Heikko Mäe, Arko Kurtmann and Rasmus Heinla. The responsibilities of Management Board members are: Margus Rink – general management, Kerli Lõhmus – financial management, Heikko Mäe – risk management, Arko Kurtmann – corporate banking, Rasmus Heinla – retail banking.

Margus Rink received a Bachelor's degree in Financial Accounting and Analysis in 1994 from the School of Economics and Business Administration at the University of Tartu and a Master of Business Administration degree in 2000 and from the same university. Margus Rink has worked in the banking sector for more than 15 years, starting in 1994 as a bank cashier in aktsiaselts Eesti Ühispank (current name AS SEB Pank) and worked in various positions in aktsiaselts Hansapank (current name AS Swedbank) in 1996-2008, among others, as the Manager of the Viljandi branch, Account Manager, Manager of the Personal Banking Division and Managing Director of Retail Banking. In 2008 Margus Rink took a position as the member of the management board of Eesti Energia AS where he worked until 2015. In the period 2015–2016 Margus Rink was the chairman of the management board of aktsiaselts Magnum and a member of the Supervisory Board of several subsidiaries of that group. Margus Rink is also on the management board of the non-profit association Estonian Banking Association (*Pangaliit* in Estonian) and a chairman of the Supervisory Board of

Good Deed Foundation, a venture philanthropy organisation (*Heateo Sihtasutus* in Estonian). Currently, Margus Rink is also a member of the Supervisory Board of bank Subsidiaries Coop Finants AS, Coop Liising AS, CP Varad AS and Coop Kindlustusmaakler AS.

Kerli Lõhmus received a Bachelor's degree of Social Sciences in Business Administration from the Tallinn Technical University in 2000 (officially equivalent to a master's degree). Kerli Lõhmus has over 20 years of experience in the financial sector and has since 1997 worked in various positions in AS Hansapank (in 1997–2000 as a bank cashier and life insurance adviser), in AS LHV Pank (in 2002–2015 as Chief Accountant and CFO) and in AS LHV Varahaldus (in 2008–2015 as Chief Accountant and CFO). In the period 2007–2015 Kerli Lõhmus was a member of the management board of AS LHV Pank and in the period 2008–2015 a member of the management board of AS LHV Varahaldus. Currently, Kerli Lõhmus is also a member of the Supervisory Board of the bank Subsidiaries Coop Finants AS, Coop Liising AS, CP Varad AS and Coop Kindlustusmaakler AS. Mandates of Kerli Lõhmus in Coop Pank and in the bank Subsidiaries was terminated at 24.01.2022.

Heikko Mäe holds Master of Arts degree in Law from Audentes University (2008). In the period of 2004-2008 Heikko Mäe has worked in AS PricewaterhouseCoopers Advisory as the risk management senior consultant, in 2008 – 2013 in Eesti Energia AS as Director of the Risk Management and Internal Auditing Unit and in 2013 – 2015 as Director of Energy Trading in Eesti Energia AS. In the period of 2015 – 2019 Heikko Mäe worked as the head of AS Magnum Veterinary and in 2016-2020 as TULEVA Fondid AS Supervisory Board member. Heikko Mäe has been working at the bank as a risk manager since 2019. Currently, Heikko Mäe is also a member of the Supervisory board of the bank Subsidiaries Coop Finants AS, Coop Liising AS and Coop Kindlustusmaakler AS and a member of the board of CP Varad AS and SIA Prana Property.

Arko Kurtmann graduated with a degree in Economics and Business from the Estonian University of Life Sciences in 2003. Arko Kurtmann has worked for AS LHV Pank as the head of the business banking department and a member of the credit committee in 2012-2019. Arko Kurtmann is a member of the management board of Corby Capital OÜ. Currently, Arko Kurtmann is also a member of the Supervisory Board of the bank Subsidiaries Coop Finants AS, Coop Liising AS, CP Varad AS and Coop Kindlustusmaakler AS.

Rasmus Heinla received a Bachelor's degree in Law from the University of Tartu in 2009. Currently he is pursuing an applied Master's Degree in Executive Business Administration at Estonian Business School. In 2007–2009 he worked as a lawyer in two different notary's offices (notary's office of Priidu Pärna, Lee Mõttus (Jäetma), Maarika Pihlak and notary's office of Liivi Laos, Tea Tüرنpuu). In 2009–2013 Rasmus Heinla was a Key Account Manager in OÜ BCP Kindlustusmaakler and in 2013–2017 the Head of Business Development of AS Creditstar Group. In the period 2017-2020, before becoming a member of the Management Board of the bank, Rasmus Heinla was the head of Coop Finants AS. Rasmus Heinla is also a member of the Supervisory Board of the bank Subsidiaries Coop Finants AS, Coop Liising AS, CP Varad AS and Coop Kindlustusmaakler AS.

The Management Board carries out its day-to-day management decisions independently, considering the best interests of the bank and its shareholders, while excluding any personal interests. The members of the Management Board are responsible for the day-to-day management of the bank and for developing and implementing the bank's strategy. The Management Board ensures proper functioning of risk management and internal control considering the bank's area of activity.

## **2.2. Remuneration principles of managers**

The purpose of the bank's remuneration policy is to provide fair, motivating, transparent and legally compliant remuneration. The Supervisory Board has the right to decide on the remuneration of the members of the Management Board. The Remuneration Committee of the bank annually reviews the remuneration principles of the Management Board. When determining the remuneration of a member of the Management Board, the Remuneration Committee shall, in particular, take into account the responsibilities of the individual member

of the Management Board, his or her performance, the overall performance of the Management Board, as well as the financial position of the bank, the current state and future direction of the business in comparison with the corresponding indicators of companies of the same economic sector.

The remuneration of a Management Board member must be such as to motivate the person to act in the best interests of the bank. The basic wage of the Management Board members is agreed in the Management Board member agreement. The remuneration principles of the Management Board members and /or employees, exercising internal control and risk management functions, must ensure their independence and objectivity in performing their risk management / internal control tasks. The remuneration of these employees must not depend on the results of the departments controlled, the set objectives must be described at the individual employee level.

The Bank applies an annual performance pay, commensurate with achieving the objectives, to all employees, plus a long-term option program for key employees.

Gross remuneration paid to the Management Board members in 2021 in euros:

	Basic salary 2021	Performance pay in 2021
Margus Rink	126 000	31 500
Arko Kurtmann	96 000	0
Rasmus Heinla	84 000	12 500
Heikko Mäe	84 000	17 500
Kerli Lõhmus	84 000	21 000

In the event of an extraordinary termination of the Management Board member's agreement by the Bank, the Management Board member shall be paid severance pay in the amount of 6 months' remuneration. The severance pay is not payable if the termination is due to significant culpable failure to fulfil official duties or to any other act that seriously damages the bank's reputation. If the term of office of a member of the Management Board is not extended, the Management Board member is entitled to a severance pay in the amount of 3 months' remuneration.

Shares and share options owned by the Management Board members and their associated persons as at 31.12.2021:

Shares and subordinated debt	Shares	Holding	Subordinated debt
Margus Rink	596 337	0.65%	7
Kerli Lõhmus (through company OÜ Lucrativo)	130 000	0.14%	0
Heikko Mäe	3 000	0.00%	0
Rasmus Heinla	23 200	0.03%	3

Options	Amount	Share purchase price payable at subscription	Subscription term
Margus Rink	70 000	1.01	2023
Kerli Lõhmus	50 000	1.01	2023
Heikko Mäe	50 000	1.01	2023
Rasmus Heinla	30 000	1.01	2023
Margus Rink	90 000	1.10	2024
Kerli Lõhmus	70 000	1.10	2024
Heikko Mäe	70 000	1.10	2024
Rasmus Heinla	70 000	1.10	2024
Arko Kurtmann	40 000	1.10	2024

Due to the termination of the Management Board member contract of Kerli Lõhmus in January 2022, the options for 70 000 shares with subscription term in 2024, expired.

### 2.3. Conflict of interests

The Bank has established a Banking group-wide "Policy of Management of the Conflict of Interest", under which members of the Banking group's corporate bodies, heads of departments and client managers are required to submit and annually update their Declaration of Financial Interests and Credibility. Also, a new declaration must be submitted immediately after a change of significant circumstances which are, or are likely to give rise to, a conflict of interest which constitute or may give rise to a conflict of interest.

Transactions between the bank and the members of the Management Board, persons close or associated to them shall be subject to the prior approval of the Supervisory Board. In 2021, no such transactions took place.

Management Board members are not members of the Management Board or Supervisory Board of other issuers. The Management Board members of Coop Pank AS are also the Supervisory Board members of the bank's subsidiaries; the Management Board member, fulfilling the duties of risk manager, is also a Management Board member of a real estate management companies established in Estonia and Latvia which are part of the Banking group.

## 3. Supervisory Board

The Supervisory Board is the bank's governing body, which plans and organises the Bank's management and supervises the activities of the Management Board. The Board determines and periodically reviews the bank's strategy, general business plan, principles of risk management and annual budget. The Supervisory Board comprises five to seven members, the term of office of the Supervisory Board members is three years. The members of the Supervisory Board shall elect from among themselves the chairman of the Supervisory Board who shall organize the activities of the Supervisory Board.

The Supervisory Board regularly evaluates the activities of the Management Board by implementing the bank's strategy, as well as evaluates the bank's financial position, risk management systems and lawfulness of the activities of Management Board.

Persons with sufficient knowledge and experience to participate in the work of the bank's Supervisory Board shall be elected as members of the Supervisory Board. For the selection and evaluation of the bank's Management Board and Supervisory Board members, the bank has adopted "Suitability assessment policy", which is implemented in conjunction with applicable legislation (the Credit Institutions Act in particular) as well as with the recommendations manual and other relevant guidance documents issued by the Financial Supervision Authority and / or other supervisory agencies.

As at 31.12.2021, the Supervisory Board of the bank comprised of six members and they were Alo Ivask (chairman, term 27.05.2023), Viljar Arakas (term 14.04.2024), Jaan Marjundi (term 27.05.2023), Roman

Provotorov (term 27.05.2023), Raul Parusk (term 27.05.2023) and Silver Kuus (term 27.05.2023). In the meaning of CGR there are three independent members in the bank's Supervisory Board – Viljar Arakas, Raul Parusk ja Silver Kuus.

Alo Ivask obtained a master's degree in engineering from the Estonian University of Life Sciences in 1997. In the period of 2007-2016 he was chairman of the management board of Kesko Senukai AS and in the years of 2017 – 2019 he served as chairman of the board of Enterprise Estonia and since October 2019, he is the chairman of the board of Coop Eesti Keskühistu (Coop Estonia).

Viljar Arakas obtained a bachelor's degree in business administration from EBS International University in 2003 and has completed his second bachelor's degree at Hogeschool NOVI in the Netherlands. Viljar Arakas is a founding member and a member of the Management Board and CEO of EFTEN Capital AS, the largest management company focused on commercial real estate in the Baltic States.

Roman Provotorov obtained higher education in economics and management from Estonian Agricultural University (currently Estonian University of Life Sciences). Since 1995, he is a head of Antsla Tarbijate Ühistu (Antsla Consumer Association) and, since 2017, member of the Supervisory Board of Coop Pank AS.

Jaan Marjundi obtained higher education in process engineering from Tallinn Polytechnical Institute (currently TalTech). For years, he has worked in top management positions of retail businesses. Since 2007, Jaan Marjundi is a chairman of the board of Harju Tarbijate Ühistu (Harju Consumer Association) and, since 2017, member of the Supervisory Board of Coop Pank AS.

Raul Parusk obtained a master's degrees in political economy from Moscow National University and in business management from Vienna Business School. He has worked in top management positions in different companies, including credit institutions. Since 2017 until August 2021, Raul Parusk was a member of management boards of Forus Grupp OÜ, Forus Security Eesti AS and Forus Haldus OÜ. Currently, he is manager of a business consulting company Sulvanus Invest OÜ.

Silver Kuus has obtained a master's degree in international business management from Estonian Business School. Silver Kuus has worked in top management positions in different financial institutions, latest of them from 2017-2019 as manager of corporate banking at Luminor Bank AS. Currently, he is manager of a business consulting company OÜ Lorikori Capital.

The General Meeting of Shareholders has decided to set the gross monthly remuneration of the members of the Supervisory Board at EUR 1 000, the chairman at EUR 1 500. There is no severance pay or other additional benefits for members of the Supervisory Board.

Gross remuneration paid to the Supervisory Board members in 2021 in euros:

	Basic wage in 2021
Alo Ivask	18 000
Arto Hillar Hansson	5 143
Viljar Arakas	8 619
Jaan Marjundi	12 000
Roman Provotorov	12 000
Raul Parusk	12 000
Silver Kuus	12 000

Shares owned by members of Supervisory Board as of 31.12.2021

	Shares	Holding	Subordinated debt
Viljar Arakas (through company Miemma Holding OÜ)	20 000	0.02%	14
Jaan Marjundi	23 000	0.03%	11
Alo Ivask	15 000	0.02%	7
Roman Provotorov	13 000	0.01%	0

As set out in clause 2.3 of this report, the Supervisory Board members shall also submit a declaration of their financial interests and reliability.

No significant transactions took place between the bank and the members of the Supervisory Board, and persons close or associated to them in 2021.

In 2021, 12 Supervisory Board meetings were held, and 2 Supervisory Board resolutions was adopted without convening a meeting. The members of the Supervisory Board participated in all votes, except in one case when one member of the Supervisory Board withdrew from voting, in order to avoid possible conflicts of interest.

The Supervisory Board has formed two committees: the Audit Committee and the Remuneration Committee. The Committees act under the supervision of the Supervisory Board as advisory bodies to the Board. Given the size of the banking group and the principle of proportionality, no separate Nomination Committee has been set up.

### 3.1. Audit Committee

The Audit Committee is an advisory body to the Supervisory Board in the areas of accounting, auditing, risk management, internal control and audit, supervision and budgeting, and the legality of the activities. The activities of the Audit Committee are primarily based on the Auditors Activities Act and the rules of procedure of the Audit Committee, approved by the Supervisory Board.

The Audit Committee is responsible, inter alia, for supervision of the audit process of the annual or consolidated accounts and the independence of the sworn auditor. The Audit Committee also performs the functions of the Risk Committee and advises the Supervisory Board and the Management Board on risk management principles and supervises risk management. The Audit Committee makes proposals to the Supervisory Board for the appointment or removal of the external and internal auditor, as well as for changes in risk management principles, elimination of problems in the organization and compliance with legal acts. At least once a year, the external auditor shall report to the Audit Committee on the findings of the audit.

The Audit Committee shall comprise at least two members, elected by the Supervisory Board. As at 31.12.2021 the Audit Committee comprised of four members and they were Paavo Truu (chairman), Alo Ivask, Silver Kuus and Urmas Kaarlep. No remuneration is paid to the members of the Audit Committee who are members of the Supervisory Board, remuneration to Paavo Truu and Urmas Kaarlep is 400 euros per meeting.

### 3.2. Remuneration Committee

The responsibility of the Remuneration Committee is to evaluate the implementation of the Remuneration Principles approved by the bank's Supervisory Board and their consistency with the Bank's business objectives, the impact of the remuneration decisions on meeting the requirements set to bank's risk management, own funds and liquidity. The Remuneration Committee also supervises the remuneration of the members of the Management Board and employees subject to the increased requirements.



The Remuneration Committee comprises at least two members, who are elected by the Supervisory Board. As at 31.12.2021, the Remuneration Committee comprised of four members and they were Alo Ivask (chairman), Jaan Marjundi, Raul Parusk and Irja Rae. No remuneration is paid to the members of the Remuneration Committee who are members of the Supervisory Board, Irja Rae's remuneration is 400 euros per meeting.

#### **4. Cooperation between the Management Board and the Supervisory Board**

The Management Board and the Supervisory Board cooperate closely to protect the best interests of the bank. The Management Board and the Supervisory Board jointly develop the bank's strategy. The Management Board is invited to attend monthly meetings of the Supervisory Board. The Management Board shall regularly inform the Supervisory Board of any material information regarding the bank's planning and conduct of business, operational risks and management of these risks.

#### **5. Implementation of diversity policy**

In accordance with clause 4 of section 24<sup>2</sup> of the Accounting Act, a large undertaking whose securities granting voting rights have been admitted for trading on a regulated securities market of Estonia or another Contracting State shall describe in the corporate governance report the diversity policies carried out in the company's management board and senior management and the results of the implementation thereof during the accounting year. If no diversity policies have been implemented during the accounting year, the reasons for this should be explained in the corporate governance report.

In 2021, the bank did not implement the diversity policy, as it always considers the best interests of the Banking group in the selection of both executives and employees, considering the candidate's education, skills and previous work experience. At the same time, the Banking group follows the principle of non-discrimination of candidates on the grounds of gender or other status.

#### **6. Disclosure of information**

The bank shall treat all shareholders equally and shall notify all shareholders equally of material circumstances and from 10.12.2019 takes into account the rules established for listed companies by providing information.

On the Investor section of bank's website all documents and information will be made available to the shareholders in accordance with the Corporate Governance Recommendations. On its website, the bank shall publish a financial calendar which includes the dates of publication of the Annual Report and Interim Reports. The published information shall also be made available in English.

#### **7. Financial reporting and audit**

Once every year the bank publishes the Annual Report for previous year. The Annual Report shall be audited, accepted by the Supervisory Board and approved by the General Meeting.

Members of the Supervisory Board do not sign the Annual Report together with the Management Board members (clause 6.1.1 of CGR). The position of the Supervisory Board on Annual Report is included in the Supervisory Board's written report, approved with the resolution of the Supervisory Board. The bank submits the Annual Report, signed by the Management Board, to the General Meeting of Shareholders (thus the Bank does not comply with the requirement to submit the report signed by the members of the Management and Supervisory Board to the shareholders, clause 6.1.1 of CGR), however, a proposal for approval of the Annual Report, prepared by the Supervisory Board, shall be submitted to the General Meeting.

The auditor shall be appointed by the General Meeting of Shareholders, who shall also determine the auditor's remuneration arrangements. The auditor is appointed to perform a single audit or for a period specified by the General Meeting.



In 2017, the Management Board organised a competition for electing an auditor. The bank held meetings with four major internationally recognized companies and asked for submitting their offers. As a result of the competition, the offer AS PricewaterhouseCoopers was selected and the annual General Meeting of Shareholders, held on April 26, 2017, appointed the company as the auditor of the bank, and a three-year agreement for the auditing of the financial years 2017-2019 was concluded with them. In 2020, it was not considered necessary to organize a new competition to elect auditor, as there has been good cooperation with the current auditor. They know bank consolidation group and audit a large number of companies in the financial sector, which is why they have good experience in the sector. Therefore, on 28 May 2020, it was decided to elect AS PricewaterhouseCoopers as the auditor of the financial years 2020-2022.

In 2020, the auditor has provided contracted services to companies of the consolidation group, including audits of Annual Reports of Group companies and quarterly reviews and other assurance services subject to obligations under the Credit Institutions Act and the Securities Market Act. Also, the auditor has provided other services permitted pursuant to the Republic of Estonia Auditors Activities Act.

In agreement with the external auditor, the bank shall not disclose contractual fees (clause 6.1.1 of CGR) paid or payable to the auditor, as this is confidential information between the parties, the disclosure of which is not indispensable for assessing the bank's activities.