



Pihlajalinna

**Corporate Governance Statement
2023**

I INTRODUCTION

The Corporate Governance of Pihlajalinna Plc (the Company) is based on effective legislation, the Company's Articles of Association and the rules and regulations applied to companies listed on Nasdaq Helsinki. The Company complies with the Finnish Corporate Governance Code 2020 issued by the Securities Market Association. The Finnish Corporate Governance Code is available on the www.cgfinland.fi/en website maintained by the Securities Market Association.

Pihlajalinna did not depart from the recommendations of the Corporate Governance Code in 2023.

This Corporate Governance Statement has been compiled as a separate statement from the annual report and will be published on the Company's website http://investors.pihlajalinna.fi/corporate-governance.aspx?sc_lang=en.

This Corporate Governance Statement was approved by Pihlajalinna Plc's Audit Committee on 12 February 2024 and by the Board of Directors on 13 February 2024.

II CORPORATE GOVERNANCE

General Meeting

The General Meeting is Pihlajalinna's highest decision-making body. According to the Company's Articles of Association, the Annual General Meeting is held annually within six (6) months of the end of the financial year. The Annual General Meeting decides on the matters determined by the Limited Liability Companies Act and the Articles of Association. These matters include, among other things, the approval of the Financial Statements, the distribution of profit shown in the Balance Sheet and the election of members of the Board of Directors and the auditor and their remuneration. The Annual General Meeting of Shareholders also decides upon discharge of the Board of Directors and of the CEO from liability.

The Board of Directors is responsible for the invitations to the General Meeting and decides its venue and timing.

According to the Articles of Association, the notice of a General Meeting shall be delivered to shareholders no earlier than three (3) months and no later than three (3) weeks prior to the date of the Meeting, but no later than nine (9) days prior to the record date of the Meeting. The notice shall be delivered to shareholders by sending

the notice by post to their addresses registered in the Company's register of shareholders or by publishing a notice on the website of the Company or in at least one national daily newspaper determined by the Board of Directors. The notice of the General Meeting will be published as a separate release. The Agenda, the proposals of the Board of Directors and other General Meeting material will be available on the Company's website at least three weeks prior to the General Meeting.

Each shareholder has the right to have a matter within the remit of a General Meeting, under the Limited Liability Companies Act, to be discussed by the General Meeting if he or she requests this in writing from the Board of Directors by the date announced on the Company website. The date will be announced on the Company's website no later than by the end of the financial year preceding the Annual General Meeting.

The Company's Chairman of the Board, members of the Board of Directors, the CEO and the Auditor attend the General Meeting. In addition, any candidates for the Board of Directors attend the General Meeting that decides on their election. If one or more members of the Board of Directors cannot attend the General Meeting, the Company informs the General Meeting of their absence at the beginning of the Meeting.

After the General Meeting, its decisions are published in a stock exchange release. The minutes of the General Meeting are published on the Company's website within two weeks of the General Meeting. The documents of the General Meeting must be kept on the Company's website for at least five years from the Meeting.

Pihlajalinna's Articles of Association are available on the Company's website at <http://investors.pihlajalinna.fi/corporate-governance/articles-of-association>. Any amendments to the Articles of Association require the decision of the General Meeting.

Pihlajalinna Plc's Annual General Meeting 2023 was held on 4 April 2023. The General Meeting was attended by 75 shareholders in person or by proxy. Approximately 59 per cent of the Company's shares and votes were represented in the meeting.

Board of Directors

The composition and election procedure of the Board of Directors

The Board of Directors is elected on an annual basis by the Annual General Meeting. According to the Company's Articles of Association,

the General Meeting shall appoint a minimum of four (4) and a maximum of ten (10) members on the Board of Directors.

The General Meeting shall elect the Chair and Vice-Chair of the Board of Directors. The term of office of a member of the Board of Directors shall expire at the close of the first Annual General Meeting following the election. In case the Chair and Vice-Chair of the Board of Directors resign or become otherwise unable to act as chair during their term of office, the Board of Directors may elect a new Chair from among its members for the remaining term of office.

Shareholders' Nomination Board

The Shareholders' Nomination Board is tasked with preparing future proposals on the election and remuneration of the members of the Board of Directors to the General Meetings.

The Nomination Board consists of four members nominated by the shareholders of the Company. In addition, the Chairman of the Board of Directors of the Company participates in the work of the Nomination Board as an expert. The right to nominate members is vested with the four shareholders of the Company having the largest share of the votes represented by all the shares in the Company annually on 1 September based on the Company's shareholders' register held by Euroclear Finland Ltd. However, if a shareholder who has distributed his/her holdings e.g. into several funds and has an obligation under the Finnish Securities Markets Act to take these holdings into account when disclosing changes in his/her share of ownership makes a written request to such effect to the Chairman of the Board of Directors no later than on 31 August. Such shareholder's holdings in several funds or registers will be combined when calculating the share of votes that determines the nomination right. Should a shareholder not wish to exercise his/her nomination right, the right shall be transferred to the next largest shareholder who otherwise would not be entitled to nominate a member.

The Chairman of the Board of Directors shall, on 1 September each year, request the four largest shareholders of the Company, based on their shareholding, to nominate one member each to the Nomination Board. The Nomination Board elects a Chairman from among its members. The term of office of the members of the Nomination Board expires annually when the new Nomination Board has been appointed.

The Charter of the Shareholders' Nomination Board is available on the Company's website at <http://investors.pihlajalinna.fi/corporate-governance/general-meeting/shareholders-nomination-board>.

The four largest registered shareholders of Pihlajalinna Plc (based on the shareholders' register held by Euroclear Finland Ltd on 1 September 2023) appointed the following representatives to the Shareholders' Nomination Board:

- Juha Koponen, Chief Executive Officer and Chairman of the Boards, LocalTapiola General Mutual Insurance Company and LocalTapiola Mutual Life Insurance Company
- Mikko Wirén, Managing Director, appointed by MWW Yhtiö Oy
- Tomi Yli-Kyyny, CEO, appointed by Fennia Mutual Insurance Company
- Carl Pettersson, CEO, appointed by Elo Mutual Pension Insurance Company

The Shareholders' Nomination Board elected Juha Koponen as its Chairman. Jukka Leinonen, Chairman of Pihlajalinna Plc's Board of Directors, served on the Shareholders' Nomination Board as an expert member.

The Shareholders' Nomination Board convened 2 times. The attendance rate was 100 %. The Nomination Board submitted 16 January 2024 its proposal to Pihlajalinna's Board of Directors for presentation at the Annual General Meeting. The proposals have been published in a stock exchange release.

The qualifications and independence of the Board members and the diversity of the Board of Directors

The Board of Directors shall have sufficient and versatile expertise and experience with respect to its duties. In preparing a proposal for the composition of the Board of Directors, attention shall be paid to the requirements placed by the Company's operations and its development stage. A person to be elected to the Board of Directors shall have the qualifications required by the duties and the possibility to devote a sufficient amount of time to the work. The number of the members and the composition of the Board of Directors shall make it possible for the Board of Directors to fulfil its duties in an efficient manner.

For the versatile support and development of the Company's business, the composition of the Company's Board of Directors should be sufficiently diverse. Both genders shall be represented on the Board of Directors. The aim of the Company is that there be at least two women and at least two men on the Board of Directors. The overall aim of the Board composition is to achieve sufficiently extensive qualifications, expertise and experience. The sufficient diversity of the

Board of Directors, including age and gender, as well as educational and professional background, is taken into account in the preparation of a proposal for the composition of the Board of Directors.

The majority of the members of the Board of Directors must be independent of the Company. In addition, at least two of the members representing this majority shall be independent of major shareholders of the Company. The members of the Board of Directors must provide the Board of Directors with sufficient information for the evaluation of their qualifications and independence and inform the Board of Directors about any changes in this information. The members of the Board shall not act as representatives of persons who have proposed them to the Board or who otherwise belong to their interest groups.

The duties and responsibilities of the Board of Directors are defined in the Limited Liability Companies Act, the Company's Articles of Association and the Charter of the Board of Directors. The Board of Directors conducts an annual evaluation of its operations and working methods and updates its Charter as needed.

Any matters that are far-reaching from the viewpoint of the Company's business shall be considered and decided by the Board of Directors. According to its Charter, the Board of Directors:

- considers and approves the Company's long-term strategic plan and goals;
- approves the Company's business plan, budget and financing plan and monitors their implementation;
- evaluates the use and presentation of alternative performance measures;
- confirms the principles of the Company's internal control and risk management;
- reviews the material risks affecting the Company's operations and their management, and supervises the adequacy, relevance and efficiency of the Company's administrative processes;
- processes and approves business acquisitions and arrangements and other significant decisions;
- elects the CEO and Deputy CEO, releases them from their duties and decides on the terms and conditions of their service;
- confirms, based on the CEO's proposal, the members of the Group's Management Team, the Heads of Business Operations and other direct subordinates of the CEO;
- approves the incentive schemes of the CEO and other management and the Company's remuneration principles;
- approves the Company's Corporate Governance Statement, Remuneration Report and statement of non-financial information;

- confirms the Company's Insider Guidelines and Guidelines on Related Party Transactions and defines the principles concerning the monitoring and assessment of transactions with insiders and related parties and supervises compliance with these principles;
- decides on the Company's disclosure policy and monitors compliance with it.

The members of the Board of Directors are provided with sufficient information on the Group's operations, operating environment and financial position, and new Board members must be introduced to the Company's operations at the beginning of their term. The Board of Directors is regularly informed of matters considered by Pihlajalinna Group's Management Team, receives profit and loss reports and auditor's reports and regularly (at least once a year) hears the auditor's opinions of the Company's financial situation and its developments.

The Board of Directors convenes regularly. The timing of the Board Meetings will be confirmed in advance for the Board's entire term of office. When necessary, the Board holds additional meetings that can be organised as conference calls. At least one of the meetings is a strategy meeting and in at least one meeting the Board meets the Company's auditor. In meetings marked on the annual calendar, the Board of Directors conducts an internal discussion without the presence of management.

The proposal for the composition of the Board of Directors was prepared by the Company's largest shareholders in 2023. LocalTapiola Group, MWW Yhtiö Oy (Mikko Wirén), Fennia Mutual Insurance Company and Elo Mutual Pension Insurance Company participated in the preparation of the proposal for the composition of the Board of Directors. The shareholders who were involved in preparing the proposal for the composition of the Board of Directors represented approximately 48% of the shares in the Company.

The principles regarding the composition of the Board of Directors were observed in the Board of Directors elected in 2023. The Board of Directors has four female Board members and four male Board members. The members of the Board represent versatile experience from managerial and board duties. All members of the Board elected in 2023 hold a master's degree and one has a doctoral degree. The members of the Board of Directors have versatile industry-specific expertise as well as economic and business skills. Their age distribution is from 53 to 70 years.

Members of the Board of Directors in the financial year 2023

The members of the Board of Directors up to the Annual General Meeting of 4 April 2023 were Mikko Wirén (Chairman), Leena Niemistö (Vice-Chairman), Heli Iisakka, Hannu Juvonen, Mika Manninen and Seija Turunen.

The Annual General Meeting 2023 decided that the number of members of the Board of Directors shall be eight (8) at a time. The following individuals were elected as members of the Board of Directors: Kim Ignatius, Heli Iisakka, Tiina Kurki, Hannu Juvonen, Jukka Leinonen, Leena Niemistö, Seija Turunen and Mikko Wirén. The General Meeting elected Jukka Leinonen as the Chairman of Pihlajalinna Plc's Board of Directors and Leena Niemistö as the Vice-Chairman.

During the financial year 2023, the Board of Directors convened 18 times. The average attendance rate during the period was 100%.

Members of the Board of Directors

JUKKA LEINONEN

Member of the Board since 2023 (since 4 April 2023)
M.Sc. (Eng.)
Finnish citizen, b. 1962
Independent of the Company and its major shareholders
Principal occupation: Board Professional



KIM IGNATIUS

Member of the Board since 2023 (since 4 April 2023)
M.Sc. (Econ.)
Finnish citizen, b. 1956
Independent of the Company and its major shareholders
Principal occupation: Board Professional



HELI IISAKKA

Member of the Board since 2022
M.Sc. (Econ.)
Finnish citizen, b. 1968
Independent of the Company and its major shareholders
Principal occupation: Colliers Finland Oy, Chief Financial Officer



HANNU JUVONEN

Member of the Board since 2019
PhD, Specialist, MBA
Finnish citizen, b. 1955
Independent of the Company and its major shareholders
principal occupation: practitioner, management consultant



TIINA KURKI

Member of the Board since 2023 (since 4 April 2023)
M.Sc. (Econ.)
Finnish citizen, b. 1970
Independent of the Company and its major shareholders
Principal occupation: Alma Media Plc, Alma Media Solutions, Senior Vice President / Director



LEENA NIEMISTÖ

Member of the Board since 2014
Vice-Chairman of the Board of Directors until 2018 and again since 2019
D.Med.Sc., Specialist in Psychiatry
Finnish citizen, b. 1963
Independent of the Company and its major shareholders
principal occupation: Board Professional



SEIJA TURUNEN

Member of the Board since 2016
M.Sc. (Econ.)
Finnish citizen, b. 1953
Independent of the Company and its major shareholders
Principal occupation: Board Professional



MIKKO WIRÉN

Member of the Board since 2016
Chairman of the Board of Directors 2016-2023
Lic.Med.
Finnish citizen, b. 1972
Not independent of the Company, not independent of major shareholders
Principal occupation: MWW Yhtiö Oy, CEO and Pihlajalinna's Senior Advisor



More information on the Members of the Board of Directors is available in the Investors section of the Pihlajalinna website at <http://investors.pihlajalinna.fi>.

Information on the remuneration of the members of the Board of Directors is presented in a separate Remuneration Report for Governing Bodies.

Board Committees

The Board of Directors may appoint committees, management groups and other permanent or temporary bodies to perform duties specified by the Board of Directors. The Board of Directors confirms the charters of the Company's committees and Management Team as well as the guidelines and authorisations of any other bodies appointed by the Board of Directors. The Board of Directors has established from among its members an Audit Committee and a People and Sustainability Committee. These committees have written charters approved by the Board of Directors.

Audit Committee

Pihlajalinna Plc's Board of Directors has established from among its members an Audit Committee which monitors the Company's reporting process of financial statements and the efficiency of the Company's internal control, potential internal audit and risk management systems. The Audit Committee also reviews the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the Company's Corporate Governance Statement, monitors the statutory audit of the financial statements and consolidated financial statements and evaluates the independence of the statutory auditor or audit firm, particularly the provision of related services to the Company. The members of the Audit Committee must have the expertise and experience necessary to perform the responsibilities of the Committee and at least one of the members must have special expertise in accounting or auditing.

The Audit Committee comprises three to five members who are elected from among the members of the Board of Directors. The majority of the members of the Audit Committee must be independent of the Company, and at least one member must be independent of major shareholders of the Company.

The Board of Directors has confirmed a written Charter for the Audit Committee, according to which the Committee has the following duties, among other things:

- to monitor the Company's financial standing and financing situation;

- to evaluate the effects of exceptional or extensive business transactions;
- to review significant changes to recognition principles and items recognized in the balance sheet;
- to monitor the quality and reliability of the Company's financial statements reporting process, the financial statements and other financial reports;
- to evaluate the use and presentation of alternative performance measures;
- to monitor the Company's financial reporting process and M&A processes;
- to engage in quarterly discussions with the financial management and the auditors on the Company's financial results and stock exchange release before the approval of the Board of Directors;
- to discuss significant financial risks and the management's measures regarding the monitoring, management and reporting of risks;
- to monitor the Company's internal control, potential internal audit and risk management systems, plans and reports as well as the efficiency of these functions;
- to familiarize itself with the principles concerning the monitoring and assessment of related party transactions;
- to review the Corporate Governance Statement, including the description of the main features of the internal control and risk management systems related to the financial reporting process;
- To support the Company's Board of Directors in the appropriate management of functions related to sustainability and ESG criteria, as well as the management of ESG risks;
- to regularly review sustainability-related reporting and processes, as well as risks and controls relating to sustainability;
- to monitor the statutory audit of the financial statements and consolidated financial statements;
- to evaluate the independence of the statutory auditor or audit firm and the provision of related services;
- to evaluate the auditor's qualifications and performance;
- to prepare a proposal for a resolution on the election of the auditor;
- to maintain communication with the auditor and review the reports prepared by the auditor for the Audit Committee and the management's responses to the reports;
- to monitor compliance with laws and regulations and the Company's policies, as well as the effectiveness of the Company's compliance system;
- to monitor and evaluate the development of sustainability (CSRD obligations and the EU Taxonomy);
- to review the Board of Directors' report in its entirety;

- to monitor and evaluate the results of the Group's ESG assessments and analyses (EcoVadis, COP, etc.).

The Audit Committee regularly provides the Board of Directors with a summary of matters considered by the Committee.

Work on the committee is subject to remuneration as determined by the General Meeting.

On 4 April 2023, the Board elected Seija Turunen (Chairman), Kim Ignatius, Heli Iisakka and Tiina Kurki as the members of the Audit Committee.

The Audit Committee convened five times during the financial year 2023. The attendance rate of the Committee members was 99 %.

People and Sustainability Committee

Pihlajalinna Plc's Board of Directors has established from among its members a People and Sustainability Committee, which assists the Board by preparing matters pertaining to the remuneration and nomination of the Company's CEO and other management, as well as the Company's remuneration principles. The Committee also prepares matters concerning organisational development and sustainability for the Board. The Committee was known as the People Committee until 21 April 2023.

The People and Sustainability Committee comprises three to five members who are elected from among the members of the Board of Directors. The majority of the members of the Committee must be independent of the Company. The CEO or other executives of the Company may not be appointed to the People and Sustainability Committee.

The Board of Directors has confirmed a written Charter for the People and Sustainability Committee, according to which the Committee has the following duties:

- to prepare matters related to the remuneration and other financial benefits of the CEO and other management;
- to prepare proposals related to the Company's incentive plans;
- to evaluate the remuneration of the CEO and other management and to ensure the appropriateness of the Company's remuneration systems;
- to answer any questions at the General Meeting that are related to the remuneration report and within the scope of the People and Sustainability Committee's duties;

- to prepare matters related to the nomination of the CEO and other management and to look for prospective successors for them and specify the personal profiles;
- to plan the remuneration of other personnel and organisational development;
- to review the results of personnel surveys and monitor the diversity of the personnel;
- to steer and evaluate the process of talent identification and development;
- to monitor and evaluate the development of the operating environment, regulations and stakeholder support;
- to monitor and evaluate sustainability-related target setting in the short and long term;
- to review and prepare personnel-related matters for the sustainability programme, including issues relating to occupational safety, work ability, equality and diversity;
- to review and prepare other matters of relevance to the sustainability programme, including quality, impact, data protection and the environment;
- to review and prepare matters pertaining to corporate governance;
- to monitor and evaluate the results of the Group's ESG assessments and analyses (EcoVadis, COP, etc.).

Work on the committee is subject to remuneration as determined by the General Meeting.

On 4 April 2023, the Board of Directors elected Hannu Juvonen (Chairman), Leena Niemistö and Jukka Leinonen as the members of the People and Sustainability Committee. On 13 October 2023, the Board of Directors supplemented the membership of the People and Sustainability Committee by electing Mikko Wirén as the fourth member of the Committee.

The People and Sustainability Committee convened five times during the financial year 2023. The attendance rate of the Committee members was 100%.

Attendance at Meetings by the Board of Directors and Committee Members in 2023:

Name	Board meetings ⁽¹⁾	Audit Committee meetings ⁽¹⁾	People and Sustainability Committee meetings ⁽¹⁾
Kim Ignatius ⁽²⁾ Board member	9/9	4/4	-
Heli Iisakka Board member	18/18	5/5	-
Hannu Juvonen ⁽³⁾ Board member	18/18	1/1	5/5
Tiina Kurki ⁽²⁾ Board member	9/9	3/4	-
Jukka Leinonen ⁽²⁾ Chairman	9/9	-	4/4
Mika Manninen ⁽⁴⁾ Board member	9/9	1/1	-
Leena Niemistö Vice-chairman	18/18	-	5/5
Seija Turunen Board member	18/18	5/5	-
Mikko Wirén Board member	18/18	-	3/3

1) Attendance rates cover meetings held during each member's term of office. All members of the Board of Directors may join both committee meetings.

2) Member of the Board of Directors from 4 April 2023.

3) Hannu Juvonen served as a member of the Audit Committee until 4 April 2023.

4) Member of the Board of Directors until 4 April 2023.

Pihlajalinna holdings of the members of Pihlajalinna Plc's Board of Directors on 31 December 2023

Direct and indirect Pihlajalinna holdings of the Board of Directors	Number of shares
Mikko Wirén, total	2 314 010
MWW Yhtiö Oy	2 309 010
Mikko Wirén	5 000
Leena Niemistö	707 867
Jukka Leinonen	12 636
Seija Turunen	4 392
Hannu Juvonen	3 514
Heli Iisakka	2 267
Tiina Kurki	1 318
Kim Ignatius	1 318

CEO

The Board of Directors appoints the Chief Executive Officer and decides on the terms and conditions of his or her service contract. The CEO is in charge of the Company's operational management and Pihlajalinna Group's business in accordance with the instructions and orders issued by the Board of Directors. The CEO is responsible for ensuring that the Company's accounting practices comply with the law and that the financial matters are handled in a reliable manner. The Management Team assists the CEO in leading the Company's operations.

Joni Aaltonen was the CEO of Pihlajalinna Plc during the financial year 2023 until 9 March 2023, at which time the Board of Directors appointed Mikko Wirén as interim CEO. On 28 April 2023, Pihlajalinna issued a stock exchange release to announce that Pihlajalinna's Board of Directors had appointed Tuomas Hyryläinen as the Company's new CEO. Hyryläinen has acted as CEO since 1 September 2023. Pihlajalinna Plc does not have a Deputy CEO.

Group Management Team

Pihlajalinna Group's Management Team assists the CEO in the operative business management. The Management Team prepares and steers the development of the Group's business, processes and joint Group functions and promotes cooperation and the flow of information between the various parts of the organisation. It also prepares the Group's strategic planning and budgeting, monitors the implementation of plans and reporting and prepares acquisitions and

other major investments. In addition, the Management Team monitors and evaluates the profitability of the Company's businesses as well as the functioning of its internal control and reporting systems. The Management Team convenes regularly by invitation of the CEO. The Management Team conducts an annual evaluation of its operations and working methods.

Group Management Team (31 December 2023):

Tuomas Hyryläinen

b. 1977, M.Sc. (Econ.)

employed by the Company since 2023
Chief Executive Officer



Antti-Jussi Aro

b. 1983, M.Sc. (Tech.)

employed by the Company since 2021
Chief Information Officer



Timo Harju

b. 1976, M.Sc. (Econ.)

Employed by the Company since 2022
Chief Operating Officer, Private clinics and hospitals



Tarja Rantala

b. 1972, M.Sc. (Econ.)

employed by the Company since 2014
Chief Financial Officer



Sari Riihijärvi

b. 1977, D.Med.Sc., Specialist

employed by the Company since 2021
Chief Medical Officer



Eetu Salonen

b. 1969, Lic.Med., Specialist in general practice, Master of Arts, Executive MBA

Employed by the Company since 2022
Chief Operating Officer, Public services



Marko Savolainen

b. 1967, LL.M with court training

employed by the Company since 2017
Chief Legal Officer



In 2023, the Group Management Team also included Chief Commercial Officer Sari Nevanlinna (until 7 March 2023) and Chief People and Culture Officer Kati Raassina (until 7 March 2023).

The Management Team has met regularly, on a weekly basis.

The table below presents the direct and indirect Pihlajalinna shareholdings of the CEO and other members of Pihlajalinna Group's Management Team (31 December 2023).

Direct and indirect shareholdings of Pihlajalinna shares by the Management Team	Number of shares
Tuomas Hyryläinen, CEO	30 000
Eetu Salunen	18 431
Tarja Rantala	17 142
Timo Harju	11 500
Marko Savolainen	10 694
Riihijärvi Sari	4 004
Antti-Jussi Aro	4 001

III INTERNAL CONTROL AND RISK MANAGEMENT MECHANISMS

Internal Control

The purpose of the Group's internal control systems is to ensure that the Company's operations comply with the applicable laws and regulations and the Company's business principles. The goal of internal control associated with the financial reporting process is to ensure that the financial reports published by the Company are prepared in accordance with the accounting principles applied by the Company and that they provide materially correct information regarding the Group's financial position and that financial reporting is accurate and reliable.

The Group's financial development is monitored by Group-wide reporting systems. The systems cover financial information, the budget approved by the Board of Directors, monthly financial forecasts and operational performance indicators. The Group Management Team analyses the result and deviations, is responsible for budgeting and forecasting together with the CEO, monitors the integration and development of completed M&A transactions and other investments. The business controller function and financial management analyse and produce financial reports as well as prepare separate analyses for use by the management, the Audit Committee and the Board of Directors. The Group has a centralised finance function.

The Group's financial management issues guidelines and instructions on the preparation of the financial statements and interim financial statements and, together with the Group communications function and the Chief Legal Officer, is responsible for the Group's regular disclosure obligations.

Pihlajalinna's financial and HR management functions have defined and documented control targets and control points (process-specific control catalogues) related to financial management, reporting and HR administration processes. The appropriateness and effectiveness of control targets and control points are evaluated at least once a year in cooperation with auditors. Internal control observations are analysed and, as a result, guidelines, practices and potentially also control points are updated.

The control measures consist of automated and manual reconciliation of processes, controls, analytical checks and instructions aimed at ensuring the accuracy of financial reporting. Further key control mechanisms include the administration of access rights to information systems and reporting systems as well as the controlled implementation of authorisations and changes to systems. The financial management function processes and regularly reports to the Board of Directors on exceptional items and items subject to management judgment, and analyses the underlying reasons behind changes to forecasts.

The CEO and the chief executives of the subsidiaries are in charge of ensuring that accounting and administration in the areas they are responsible for comply with the law and that the Group's guidelines are adhered to. The Group's legal department is in charge of issuing operational guidelines and instructions in its area of responsibility. The auditors audit the accounting and administration of the parent company and the subsidiaries annually. In all Group companies, auditing is conducted by a firm of authorised public accountants. The auditor of the parent company is responsible for the coordination of audit focus areas, the analysis of audit observations from the point of view of the consolidated financial statements and communication with the Group's financial management and the CEO. The detailed auditing results are reported annually to the Group management, the Audit Committee and the Board of Directors.

The Audit Committee verifies that accounting, financial administration, finance, the internal audit and auditing are organised appropriately. The Board of Directors reviews and approves half-year reports, interim reports and financial statements bulletins.

Internal audit

The purpose of Pihlajalinna's internal audit is to assess the appropriateness and performance of the Company's internal control system, risk management, management processes and administrative processes. The internal audit supports organisational development and enhances the fulfilment of the Board of Directors' supervisory duty.

The internal audit assists the organisation in achieving its objectives by evaluating and surveying its functions and supervising compliance with Company guidelines and instructions. To this end, the internal audit produces analyses, estimates, recommendations and information for use by the Board of Directors and senior management. The assessments are reported upon completion to the CEO, the CFO and the management in charge of the function being assessed. They are also reported regularly to the Board's Audit Committee.

The internal audit function is based on internal standards (IIA). The internal audit function is independent of the rest of the organisation. The point of departure for the internal audit is primarily management-oriented, and the work is coordinated in cooperation with the external audit. The annual audit plan and audit report are presented to the Audit Committee. The internal audit function also audits other areas by request of the Board of Directors and Pihlajalinna's Management Team.

Pihlajalinna's internal audit activities continued in 2023 in accordance with the cooperation previously organised with PwC. PwC evaluated the accuracy of invoicing processes. A follow-up audit was conducted on information security and the technical threat analysis.

Risk management

In its risk management, Pihlajalinna's aim is to operate as systematically as possible and incorporate risk management in normal business processes. Furthermore, the Group invests in the management of occupational safety and health risks and in quality management systems, such as ISO 9001. Pihlajalinna's Risk Management Policy defines the goals, principles, operating methods and responsibilities of risk management.

Internal risk reporting is included in the regular business reporting as well as in business planning and decision-making. The material risks and their management are reported to stakeholders regularly and, when necessary, on a case-by-case basis.

In 2023, Pihlajalinna reviewed and further specified the previously developed and implemented Enterprise Risk Management process,

which involves classifying risks according to the themes of the strategy confirmed in 2021. The themes are profitable growth, quality and impact, the customer experience and employee experience, and digital Pihlajalinna. Strategic, operational and financial risks are reviewed within these themes. The Enterprise Risk Management process also includes a review of sustainability risks, which are reported in the statement of non-financial information as part of the Board of Directors' report.

The risks reviewed under the theme of profitable growth include strategic and business risks involving uncertainty as regards the implementation of the Group's long-term and short-term strategy or operational capabilities. Examples of such uncertainties include structural changes in society that could have an impact on Pihlajalinna as a private provider of social and healthcare services. The theme also covers risks related to profitability, acquisitions, financing and other financial activities, such as contractual partnerships.

The risks reviewed under the theme of quality and impact include risks relating to comprehensive patient safety, operational quality and safety and the uninterrupted continuity of operations, including unforeseen and surprising information security risks.

Under the theme of customer experience and employee experience, the risks identified by Pihlajalinna particularly include risks relating to the availability and retention of personnel, as well as risks related to work ability and sickness-related absences. In addition, risks related to the Company's values, ethics and uniform operating methods are taken into account under this theme.

The use of digitalisation and the risks associated with the strong growth of multi-channel service use are reviewed under the theme of digital Pihlajalinna. Risks related to information security and data protection are also reviewed under this theme. Such risks may lead to losses, claims for compensation and loss of reputation.

The goal of Pihlajalinna's risk management is to promote the achievement the Group's strategic and operational targets, shareholder value, the Group's operational profitability and the realisation of responsible operating methods. Risk management seeks to ensure that the risks affecting the company's business operations are known, assessed and monitored. Risk management also includes practical measures and real-time monitoring to anticipate risks and mitigate or reduce their adverse impacts.

Group management and operative management are responsible for risk management according to their reporting responsibilities. In addition, risk management specialists guide and develop the group's risk management. The Group Management Team regularly discusses the

key risks related to the Group's business operations. Everyone working at Pihlajalinna must also know and manage risks related to their responsibilities. The internal audit function evaluates the appropriateness and performance of the Company's risk management as part of its annual audit plan.

IV OTHER INFORMATION REQUIRED

Insider administration and principles

Pihlajalinna Plc complies with the Nasdaq Helsinki Ltd Guidelines for Insiders in effect at any given time, subject to the additional specifications concerning Pihlajalinna and referred to in Pihlajalinna's Insider Guidelines. The Pihlajalinna insider guidelines, which specify the insider guidelines of Nasdaq Helsinki Ltd, are approved annually by the Board of Directors.

The Company's insider information and the managers' and their related parties' transactions in Company's financial instruments are administered according to applicable legislation and the Insider Guidelines of the Company. When necessary, the Company sets up project-specific insider lists which includes every person who receives project-specific inside information.

The insider lists are not public. The Company's insider lists are maintained in the SIRE register of Euroclear Finland Ltd.

In addition to the insider lists, the Company creates and maintains a list of persons discharging managerial responsibilities and related parties (natural or legal persons) who have the duty to notify their transactions related to Company's financial instruments to the Company and the Financial Supervisory Authority within three business days after the transaction. The Company publishes transactions notified to it with a release within the same time limit. Persons discharging managerial responsibilities include Pihlajalinna's members of the Board of Directors and members of the Management Team.

Executives at Pihlajalinna and non-executive persons defined by the Company are prohibited from all trading in the Company's securities or related derivatives and other financial instruments on their own account or for the account of a third party during the period of 30 calendar days before the publication of the Company's annual financial statements, interim report and half year financial report (closed window).

Pihlajalinna Plc has published its insider principles (insider and related party principles) on the Company's website.

Related parties and principles for related party transactions

Pihlajalinna complies with the legislation pertaining to related party transactions and, in accordance with the Corporate Governance Code for listed companies, ensures compliance with the requirements for the monitoring, assessment, decision-making and disclosure of related-party transactions. Pihlajalinna's Guidelines on Related Party Transactions, which describe the principles for the monitoring and assessment of related party transactions, is approved annually by Pihlajalinna's Board of Directors, which is responsible for monitoring and assessing related party transactions.

The purpose of Pihlajalinna Plc's Guidelines on Related Party Transactions is to ensure that any business transactions involving persons belonging to the Company's related parties are made independently and based on market terms. The Company assesses and verifies that any related party transactions are in the best interests of the Company overall and that any conflicts of interest are duly taken into account when making decisions on related party transactions. The principles of the Guidelines on Related Party Transactions are observed throughout the Group and in the decision-making concerning all of the Group companies.

Pihlajalinna Plc's related parties include the Group's executives, such as the members, deputy members (if any) and secretary of the Board of Directors, the CEO, Deputy CEO and members of the Management Team, and the aforementioned persons' spouses and common-law spouses and other people living in the same household. In addition, related parties include organisations in which an above-mentioned related party, either alone or together with other related parties, exercises significant influence or control. Related parties also include the Company's subsidiaries, associated companies and joint ventures and their CEOs, Board members and potential deputy members, as well as any organisations in which the above-mentioned parties exercise significant influence or control. Furthermore, related parties include the Company's shareholders holding at least 10 per cent of the Company's shares or the total votes carried by the Company's shares.

Pihlajalinna Plc maintains a related party register of major business transactions between the Company and its related parties, the parties involved and the key terms of such transactions. The information entered in the register is collected annually from the persons belonging to the Company's related parties by means of control surveys. The Company's related party register is not public, and any information entered in it will not be disclosed to third parties, with the exception of any authorities and the auditor entitled to receive such information. Persons considered as related parties are obliged to notify the Company's related party administration of any related party

transactions which are being planned or which have come to their knowledge. Such notification must be made without delay after receiving such information. The results of the monitoring of related party transactions are regularly reported to the Board's Audit Committee.

Pihlajalinna may carry out transactions with related parties provided that the transactions are part of Pihlajalinna's ordinary course of business and implemented under arms-length terms in compliance with the decision-making procedure specified in Pihlajalinna's internal policies and guidelines. Related party transactions that are not part of Pihlajalinna's ordinary course of business or are not implemented under arms-length terms are decided on by Pihlajalinna's Board of Directors, with due consideration given to the regulations concerning conflicts of interest.

Any related party transactions will be processed in accordance with the Guidelines on Related Party Transactions approved by Pihlajalinna's Board of Directors. Any major transactions to be executed with Pihlajalinna's management and its related parties shall always be approved by the Board of Directors.

Pihlajalinna reports on related party transactions annually in its financial statements. Related party transactions that are of material significance from the shareholder's perspective and are not part of the Company's ordinary course of business or are not implemented under arms-length terms are disclosed in accordance with the Securities Markets Act and the rules of the Nasdaq Helsinki Ltd stock exchange.

Pihlajalinna Plc has published its principles concerning related party transactions (insider and related party principles) on the Company's website.

Auditors and auditing

According to the Articles of Association, the Company shall have one (1) Auditor that shall be a firm of authorised public accountants with an APA-certified Auditor acting as the Auditor with principal responsibility.

The auditor will annually submit an auditor's report to Pihlajalinna's Annual General Meeting. When the Company's Board of Directors reviews the financial statements, the principal auditor provides a statement on the implementation of the audit and on their audit observations.

Pihlajalinna Plc's Annual General Meeting on 4 April 2023 resolved, in accordance with the Board's proposal, to appoint KPMG Oy Ab as the

Company's auditor for a term ending at the conclusion of the Annual General Meeting 2024. The responsible auditor appointed by KPMG Oy Ab was Assi Lintula, APA.

KPMG Oy Ab has been the auditor of Group companies during the financial year 2023. The following fees have been paid to the auditor (amounts in thousands of euros):

Auditor's fees	2023	2022
Auditing, KPMG Oy Ab	328	343
Statements, KPMG Oy Ab	10	20
Non-audit services, KPMG Oy Ab	57	51
Total	395	414