

**SPONDA Plc's  
CORPORATE GOVERNANCE STATEMENT**

**This Corporate Governance Statement has been reviewed by the Audit Committee of Sponda Plc's Board of Directors at its meeting on 29 January 2014.**

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# **SPONDA Plc's CORPORATE GOVERNANCE STATEMENT**

## **1. Regulations and Corporate Governance Code adhered to by Sponda**

Sponda Plc is a public limited company registered in Finland and listed on NASDAQ OMX Helsinki Ltd. In its decision-making and governance, Sponda complies with the Finnish Limited Liability Companies Act and other legal provisions governing public limited companies, as well as the company's articles of association. Sponda also complies with the insider guidelines of NASDAQ OMX Helsinki Ltd and the Finnish Corporate Governance Code 2010, which entered into force on 1 October 2010 ("Corporate Governance Code"). The Corporate Governance Code was issued by the Securities Market Association in 2010 and is available online at [www.cgfinland.fi](http://www.cgfinland.fi).

As required by the Finnish Limited Liability Companies Act and Sponda's articles of association, control and governance of the company is divided between the shareholders represented at General Meetings, the Board of Directors and the President and CEO. The President and CEO is assisted by an Executive Board.

The description of Sponda's governance and this Statement, which has been prepared in accordance with Recommendation 54 of the Corporate Governance Code, are available for the public on Sponda's website at [www.sponda.fi](http://www.sponda.fi).

This Statement is published separately from the Board of Directors' report.

## 2. Nomination Board

The shareholders' Nomination Board – rather than a Board-appointed nomination committee – assists the Annual General Meeting in nominating members to the Board of Directors and in preparing Board members' remuneration.

The permanent Nomination Board established by the Annual General Meeting on 18 March 2013 prepares proposals concerning candidate members of the Board of Directors and their remuneration for the following Annual General Meeting.

The Nomination Board is composed of three members appointed by the shareholders. In addition, the Chairman of the Board of Directors shall act as an expert member of the Nomination Board. The three shareholders entered in the company's shareholders' register maintained by Euroclear Finland Oy on 30 September in the calendar year preceding the Annual General Meeting whose portions of the votes produced by all the shares in the company according to the shareholders' register are the greatest shall have the right to appoint members representing shareholders. If a shareholder does not wish to exercise its right to appoint a member to the Nomination Board, the right shall be transferred to the next largest shareholder according to the shareholders' register, who otherwise would not have the right to appoint a member.

The Nomination Board is convened by the Chairman of the Board of Directors. The member appointed by the largest shareholder shall act as the Chairman of the Nomination Board, unless otherwise decided by the Nomination Board. The Nomination Board must provide its proposal to the company's Board of Directors no later than on 30 January before the Annual General Meeting.

The three largest shareholders (holdings on 30 September 2013) and their representatives on the Nomination Board were:

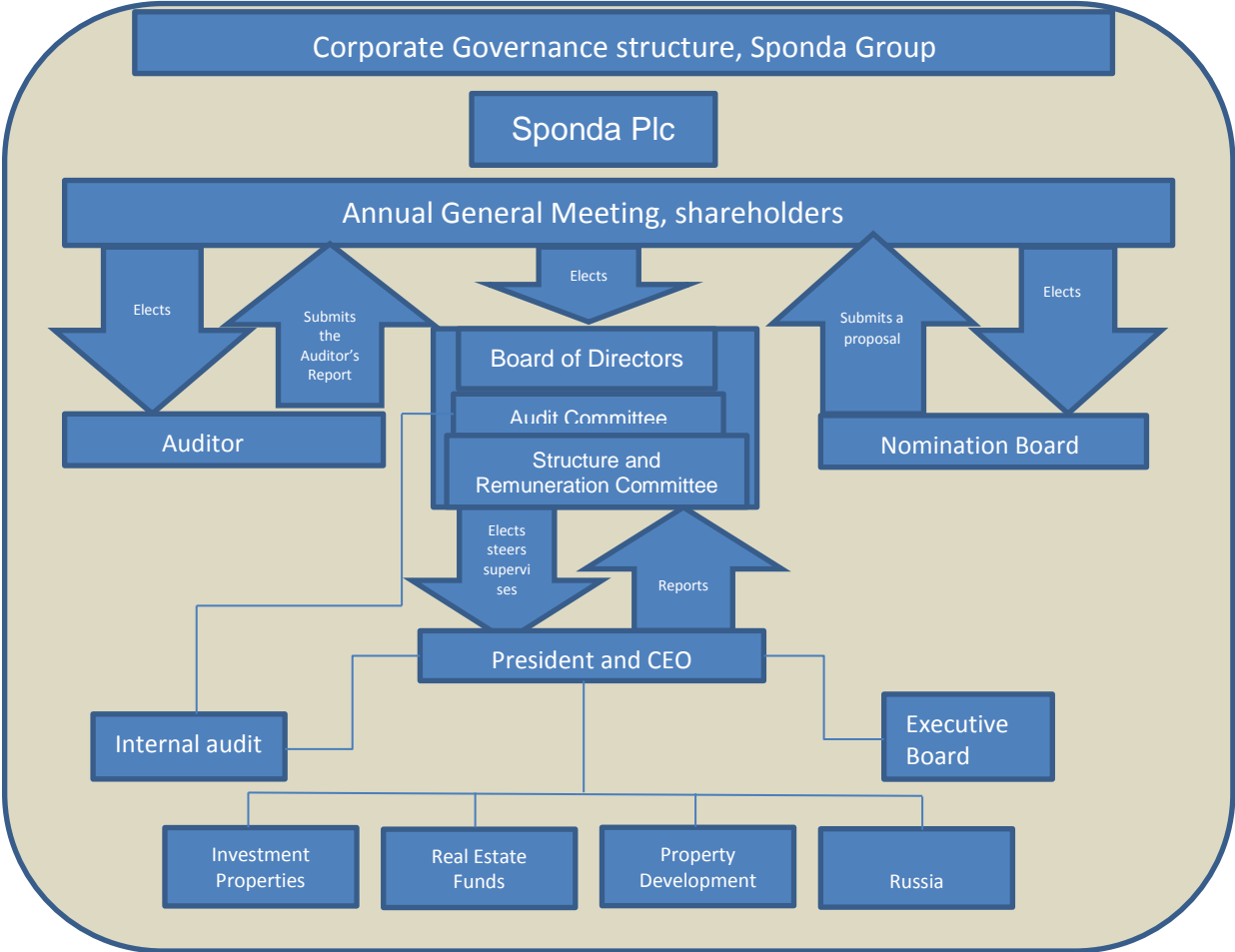
- Oy PALSK Ab, 14.89% of the shares and votes, represented by Kaj-Gustaf Bergh, BSc (Econ.), LL.M., (b. 1955) Managing Director, Föreningen Konstsamfundet r.f.;
- Varma Mutual Pension Insurance Company, 10.27% of the shares and votes, represented by Risto Murto, (b. 1963), Ph.D. (Econ.), Chief Investment Officer, Deputy CEO, Varma Mutual Pension Insurance Company;
- HC LPN Holding Oy Ab, 9.89% of the shares and votes, represented by Peter Therman, (b. 1968), M.Sc. (Econ.), President and CEO, Karelia-Upofloor Oy.

All members of the Nomination Board are independent of the company.

The Nomination Board submitted its proposal to the Board of Directors on 30 January 2014.

### 3. Sponda Group's Corporate Governance

The highest decision-making power in Sponda is exercised by its shareholders in the Annual General Meeting (AGM). Sponda Group is managed by the Board of Directors appointed by the AGM and the President and CEO.



The AGM is held once a year on a date determined by the Board of Directors and within six (6) months of the end of the previous financial year. The AGM considers matters stipulated in the Finnish Limited Liability Companies Act and Sponda's articles of association. These include confirmation of the financial statements, deciding on the use of the profit shown in the balance sheet, electing the Board members and deciding on their remuneration, and appointing the company's auditors and deciding on their fees.

Sponda publishes the notice of the AGM in at least one daily national newspaper determined by the Board of Directors and on the company's website. The Board of Directors decided on 5 February 2014 that the notice will be published in Helsingin Sanomat. Shareholders wishing to attend the AGM are required to be registered in the company's shareholders' register and to inform the company of their intention to attend the meeting in the manner stipulated in the AGM notice. Extraordinary general meetings are convened when deemed necessary by the Board of Directors or when required by law.

## 4. Board of Directors

### 4.1 Composition of the Board

Under Sponda Plc's articles of association, the company has a Board of Directors composed of four to seven (4–7) members. The AGM appoints the members of the Board of Directors based on the proposal of the shareholders' Nomination Board and their appointments are valid until the conclusion of the next AGM. The Board of Directors elects a Chairman and Deputy Chairman from among its members.

Until the AGM of 18 March 2013, the members of the Board of Directors were Klaus Cawén (Deputy Chairman), Tuula Entelä, Lauri Ratia (Chairman), Arja Talma, Raimo Valo and Erkki Virtanen.

The AGM of 18 March 2013 confirmed the number of Board members as seven and re-elected Klaus Cawén, Tuula Entelä, Arja Talma and Raimo Valo. Kaj-Gustaf Bergh, Christian Elfving and Juha Laaksonen were elected to join the Board as new members.

Members of the Board of Directors in 2013	Year of birth	Education	Main occupation	Company of main occupation	Board member since
<b>Bergh Kaj-Gustaf, Chairman</b>	1955	BSc (Econ.), LL.M.	Managing Director	Föreningen Konstsamfundet r.f.	Member and Chairman of the Board since 18 March 2013
<b>Elfving Christian</b>	1947	M.Sc. (Econ.), MBA (Univ. of Chicago)	CEO	Sigrid Jusélius Foundation	Member of the Board since 18 March 2013
<b>Cawén Klaus, Deputy Chairman</b>	1957	LL.M.	Executive Vice President, Member of the Executive Board	KONE Corporation	Member of the Board since 2008 and Deputy Chairman of

					the Board since 2011
<b>Entelä Tuula</b>	1955	B.Sc. (Econ.), LL.M.	Vice President, Housing Business, Helsinki region and St. Petersburg Deputy to President and CEO	SATO Corporation	Member of the Board since 2005
<b>Laaksonen Juha</b>	1952	B.SC. (Econ.)	Member of the Directors' Institute of Finland		Member of the Board since 18 March 2013
<b>Ratia Lauri, Chairman</b>	1946	M.Sc. (Eng.) teollisuusneuvos (Finnish honorary title)	Member of the Directors' Institute of Finland		Member and Chairman of the Board from 2007 to 18 March 2013
<b>Talma Arja</b>	1962	M.Sc. (Econ.), eMBA	Senior Vice President, Store Sites and Investments	Kesko Corporation	Member of the Board since 2007
<b>Valo Raimo</b>	1955	LL.M.	CEO	East Office of Finnish Industries Ltd	Member of the Board since 2011
<b>Virtanen Erkki</b>	1950	M.Soc.Sc. (Econ.)	Permanent Secretary	Ministry of Employment and the Economy	Member of the Board from 2008 to 18 March 2013

Sponda's Board members represent broad experience in the real estate, industrial, financial and commercial sectors. More detailed information on the Board members is provided in the Annual Report under section "Corporate Governance/Board of Directors/Presentation of Board of Directors" available on Sponda Plc's website. The Board of Directors considers that, of its members, Klaus Cawén, Tuula Entelä, Juha Laaksonen, Arja Talma and Raimo Valo are independent of both the company and its major shareholders, and that Board members Kaj-Gustaf Bergh and Christian Elfving are independent of the company. Kaj-Gustaf Bergh and Christian Elfving are considered not to be independent of a major shareholder due to their Board membership in Oy PALSK Ab, which is a major shareholder of Sponda.

In its constitutive meeting after the Annual General Meeting held on 18 March 2013, the Board of Directors elected Kaj-Gustaf Bergh as its Chairman and Klaus Cawén as its Deputy Chairman.

## 4.2 Board operations

The Board of Directors is responsible for the company's governance and the appropriate organisation of its operations. The Board guides and supervises the company's executive management, appoints and discharges the President and CEO, approves the company's strategic objectives and the principles underlying its risk management function, and ensures the effective functioning of its management systems. The Board also ensures that the company reinforces in its operations the values it should observe. The Board convenes the AGM and prepares draft resolutions for the AGM in keeping with the Limited Liability Companies Act and the company's articles of association.

The Board has approved its own written rules of procedure according to which it

- confirms its own rules of procedure
- confirms the company's operating principles and monitors how they are carried out
- determines the company's dividend policy
- approves the company's strategy and monitors how it is carried out
- approves annually a business plan and budget based on the strategy and monitors how they are carried out
- decides on investments, acquisitions and divestments that are significant and of strategic importance
- decides on donations within the framework of the Limited Liability Companies Act
- sets personal goals annually for the President and CEO and evaluates how those are achieved, and approves the targets for the members of the Executive Board and evaluates how those are achieved
- confirms the Group's organisational structure
- appoints and discharges from their duties the President and CEO and the members of the Executive Board and decides on the terms of their service and employment contracts and on incentive schemes for them
- prepares draft resolutions as necessary for the AGM concerning remuneration schemes for management and personnel
- monitors management succession issues
- defines the operating principles for the risk management system and internal control
- considers and approves interim reports, the Board of Directors' report and the annual financial statements
- considers other matters that the Chairman of the Board or President and CEO have submitted to the agenda. Members of the Board are also entitled to bring matters before the Board by informing the Chairman of this.

In 2013, key issues addressed by the Board included updating Sponda's strategy, reacting to changes in the business environment and assessing the company's capital structure and financing options. The Board also focused on the sale of properties, various development projects and organisational development.

The general task of the Chairman of the Board is to manage the Board's activities so that its duties are handled as efficiently and adequately as possible.

The Board has quorum when more than half of its members are present. Decisions are made by a simple majority of votes. In the event of a tie, the Chairman will have the deciding vote. The President and CEO attends Board meetings regularly. The Chief Financial Officer of Sponda acts as the secretary of the Board of Directors.

A Board member may not participate in the discussion or decision of a matter which has bearing on a company or other organisation in which he or she works or serves as a member of an administrative body.

The Board meets according to a pre-agreed schedule, 7–11 times per year, and holds additional meetings as necessary. In 2013, there were a total of 12 Board meetings with an average attendance rate of 96.34%.



## Members of Sponda Plc's Board of Directors and its Committees and members' attendance in meetings in 2013

Board membership	Committee membership	Attendance at Board meetings	Attendance at meetings of the Audit Committee	Attendance at meetings of the Structure and Remuneration Committee
<b>Bergh Kaj-Gustaf</b> (Chairman since 18 March 2013)	Structure and Remuneration Committee (Chair)	10/10	-	2/2
<b>Cawén Klaus</b> (Deputy Chair)	Structure and Remuneration Committee (Deputy Chair)	10/12	-	5/5
<b>Elfvig Christian</b>	Audit Committee	10/10	3/3	-
<b>Entelä Tuula</b>	Structure and Remuneration Committee	12/12	-	5/5
<b>Laaksonen Juha</b>	Audit Committee	10/10	3/3	-
<b>Ratia Lauri</b> (Chairman until 18 March 2013)	Structure and Remuneration Committee (Chair)	2/2	-	3/3
<b>Talma Arja</b>	Audit Committee (Chair)	11/12	4/4	-
<b>Valo Raimo</b>	Audit Committee (Deputy Chair)	12/12	4/4	-
<b>Virtanen Erkki</b> (until 18 March 2013)	Audit Committee	2/2	1/1	-

Sponda's Board of Directors evaluates its own performance and working procedures once a year. The evaluation of performance was based on an external evaluation of the Board's performance carried out in November 2013. The Board discussed the results of the survey and considered further actions in its meeting in December 2013. Among other issues, the evaluation focused on the composition of the Board, its work and the material delivered to the Board. The results of the evaluation are used to improve the work of the Board of Directors.

## 5. Board Committees

The Board has established two permanent committees to assist the Board in preparing matters for which the Board is responsible. These permanent committees are the Audit Committee and the Structure and Remuneration Committee. The Board is responsible for carrying out the duties it assigns to the committees. If required, the Board can appoint other committees and working groups from among its own members to prepare matters for the Board's consideration and decision-making.

### 5.1 Composition of Committees

The Board appoints the members and chairs of the committees from among its members. The committee members' term of office is one (1) year, ending at the conclusion of the Annual General Meeting following their election. Each committee has at least three (3) members. A committee meeting has quorum when the chair and at least one (1) other member are present.

The Audit Committee comprises at least three (3) Board members who are independent of the company and its subsidiaries and have sufficient knowledge of accounting and

financial statement standards. As of 18 March 2013, the Audit Committee comprises Arja Talma as Chair, Raimo Valo as Deputy Chair, and Christian Elfving and Juha Laaksonen as ordinary members. The Chief Financial Officer of Sponda acts as secretary to the Audit Committee.

The Structure and Remuneration Committee comprises at least three (3) Board members who are independent of the company. As of 18 March 2013, the Structure and Remuneration Committee comprises Kaj-Gustaf Bergh as Chair, Klaus Cawén as Deputy Chair and Tuula Entelä as an ordinary member. Sponda's President and CEO also attended meetings of the Structure and Remuneration Committee. The Chief Financial Officer of Sponda acts as secretary to the Committee.

Composition of the Audit Committee 1 January–18 March 2013	Composition of the Audit Committee 18 March–31 December 2013	Composition of the Structure and Remuneration Committee 1 January–18 March 2013	Composition of the Structure and Remuneration Committee 18 March–31 December 2013
Talma Arja (Chair)	Talma Arja (Chair)	Ratia Lauri (Chair)	Bergh Kaj-Gustaf (Chair)
Valo Raimo (Deputy Chair)	Valo Raimo (Deputy Chair)	Cawén Klaus (Deputy Chair)	Cawén Klaus (Deputy Chair)
Virtanen Erkki	Elfving Christian	Entelä Tuula	Entelä Tuula
	Laaksonen Juha		

## 5.2 Activities of the Structure and Remuneration Committee

The Structure and Remuneration Committee is tasked with assisting the Board in the preparation of matters that fall under the Board's purview. The Committee does not have independent decision-making power. The Committee is answerable to the Board for carrying out the tasks assigned to it. The Structure and Remuneration Committee reports regularly to the Board on its work.

The Board has laid out the rules of procedure for the Structure and Remuneration Committee in writing, dictating that the Committee prepares matters relating to the remuneration and financial benefits of company executives, executive remuneration and incentive schemes and the appointment of the President and CEO and other executive management in accordance with the one-over-one principle. The Committee is also responsible for preparing matters relating to Group strategy and structure and mergers and acquisitions.

In 2013, the Structure and Remuneration Committee focused on updating the strategy, business development and the effectiveness and monitoring of remuneration systems.

The Structure and Remuneration Committee held a total of 5 meetings in 2013 with an average attendance rate of 100%.

### 5.3 Activities of the Audit Committee

The Audit Committee is tasked with preparing matters that fall under the Board of Directors' purview. The Committee does not have independent decision-making power. The Committee is answerable to the Board for carrying out the tasks assigned to it. The Committee reports regularly to the Board on its work. The Audit Committee prepares matters relating to financial reporting, risk management, financial statements and interim reports, auditors, internal audit and compliance with laws and regulations.

The Board has laid out the rules of procedure for the Audit Committee, according to which the Committee is tasked with:

- monitoring the process of financial reporting
- supervising the financial reporting process
- monitoring the efficiency of the company's internal control, internal audit and risk management systems
- reviewing 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
- monitoring the statutory audit of the financial statements and consolidated financial statements
- evaluating the independence of the statutory auditor or audit firm, and particularly the provision of related services to the company
- preparing the proposal for the resolution on the election of the auditors
- monitoring the company's financial position
- approving the operating instructions for internal audit
- reviewing the plans and reports of the internal audit function
- evaluating compliance with laws and regulations
- maintaining contact with the auditor and reviewing the reports that the auditor prepares for the Audit Committee.

In 2013, the Audit Committee reviewed the financial statement releases and interim reports before their disclosure and recommended that the Board approve them. The Audit Committee also discussed, as per its annual plan, the Group's financing, insurance policies and taxation and annual planning.

The Audit Committee consulted the company's auditors when reviewing financial statement releases and interim reports. The Committee also consulted Sponda's internal auditor and an external property surveyor during the year.

In 2013, the Audit Committee held a total of 4 meetings with an average attendance rate of 100%.

## **6. The President and CEO and his duties**

Sponda's President and CEO is appointed by the company's Board of Directors. The President and CEO manages the company's day-to-day operations in accordance with the instructions and regulations given by the Board of Directors. The President and CEO is responsible for ensuring that the company's accounting complies with legal provisions and that the company has sufficient capital funds for its purposes. The President and CEO is assisted by the Group's Executive Board, which the President and CEO also chairs. Kari Inkinen (b. 1957), M.Sc. (Eng.) has served as Sponda's President and CEO since 2005. The terms of the President and CEO's service contract are set out in the written service contract approved by the Board.

## **7. Other executive management**

Sponda's Board of Directors selects the members of the Executive Board at the President and CEO's proposal. The Group's Executive Board prepares the business strategy and budget and monitors the results of operations. The Executive Board also considers investments and divestments of strategic significance to the whole Group, as well as the company's operational guidelines and reporting. As of 25 March 2009, the Executive Board has been composed of, in addition to the President and CEO, the CFO, the Senior Vice President of Communications and IR and the Senior Vice Presidents in charge of the business units, or seven (7) people in all.

## **8. Auditors**

The company has two (2) auditors: a firm of authorised public accountants and an auditor approved by the Central Chamber of Commerce. In accordance with the Finnish Auditing Act, the auditors are responsible for auditing the company and Group's financial statements, accounts and administration, and for submitting a report on their audit to the Annual General Meeting. The auditors' term of office is one financial year and their duties end at the conclusion of the next Annual General Meeting.

Sponda Plc's auditors for the period from 1 January to 18 March 2013 were Raija-Leena Hankonen (APA) and authorised public accountants KPMG Oy Ab, with Kai Salli (APA) as the principal responsible auditor and Ari Eskelinen (APA) as the deputy auditor. The AGM of 18 March 2013 appointed the following as the company's auditors: Esa Kailiala (APA) and authorised public accountants KPMG Oy Ab, with Kai Salli (APA) as principal responsible auditor and Lasse Holopainen (APA) as deputy auditor. Esa Kailiala has been Sponda Plc's auditor since 2013, Kai Salli since 2008 and Lasse Holopainen between 2003–2004, and again since 2013.

## **9. Insiders**

Sponda complies with the Insider Guidelines issued by NASDAQ OMX Helsinki Ltd. These recommend that insiders wishing to trade in the company's shares do so only at times

when the market has the fullest possible information on matters that may have a material impact on the share price. Accordingly, Sponda's insiders are not permitted to trade in Sponda's securities for a period commencing 21 days before the company publishes its interim reports or annual results.

The company's statutory public insiders are its Board of Directors, the Executive Board and the auditors. In addition, the company maintains a company-specific insider register, comprising a permanent company-specific insider register and a project-specific insider register. The permanent insider register contains entries on the individuals who, pursuant to their position or duties, have regular access to insider information. The project-specific insider register contains entries on the individuals to whom the company discloses specific insider information pertaining to a particular project.

The insider register maintained by Euroclear Finland Oy includes information on the holdings of the individuals in the company's public insider register subject to disclosure obligation. The company's public insider register is also available on its website at [www.sponda.fi](http://www.sponda.fi).

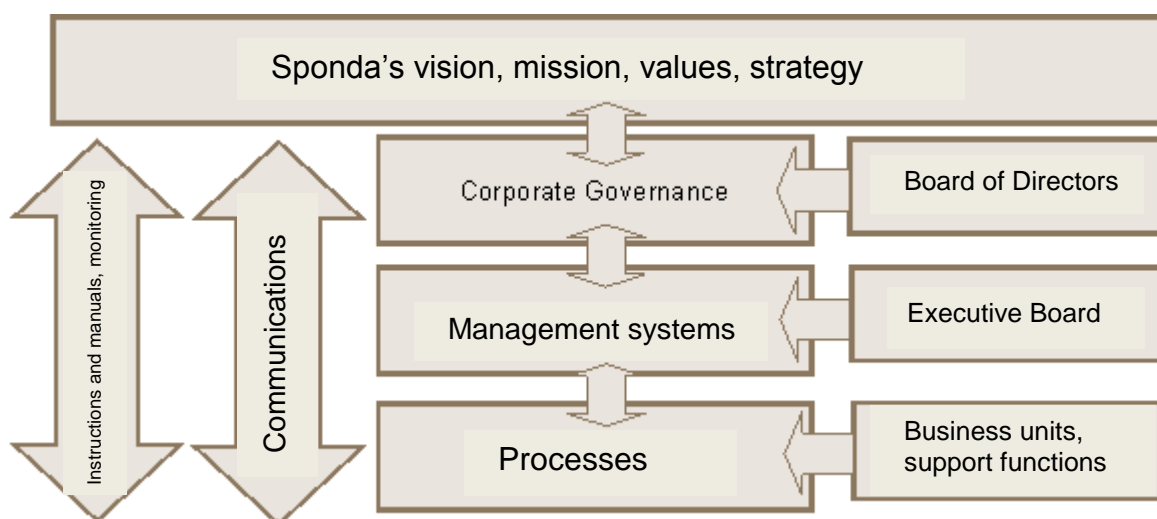
## **10. Main features of internal control and risk management systems in relation to the financial reporting process**

### **10.1 General description of risk management in Sponda**

Sponda uses effective risk management to ensure the continuity of the company's business, capacity and the achievement of key objectives. Risk management is integrated into the company's planning system and day-to-day operations. Risk management takes into account the Group's risk-bearing capacity. Sponda manages the risks associated with its operations by identifying, measuring and preventing key uncertainties.

Risks are assessed in terms of their probability as well as their financial impact. The achievement of financial targets is a sign of successful risk management. Sponda's key risks are classified into strategic risks, operational risks, damage and asset risks and financing risks.

## 10.2 Main principles for the organisation of risk management



Sponda has adopted a systematic approach to risk management and one of the company's key strengths is its ability to integrate risk management into its strategy process, enterprise resource planning system and business processes.

The responsibility for risk management is determined in accordance with business responsibility so that ultimate responsibility for risk management lies with the Board of Directors, which sets risk management objectives, decides on risk management policy, organises risk management and monitors the development of key risks. Organising the monitoring of risk management as part of other reporting is included in the tasks of business units and corporate functions. The company's internal audit function monitors the effectiveness of the risk management system.

Risk management is tied to the company's annual planning process and risks are assessed in a risk survey carried out twice a year. The risk survey identifies the company's key risks, assesses the probability of their occurrence and potential impacts thereof, and defines risk management procedures. The Group's risk management instructions and guidelines and the operations manual are updated according to the decisions concerning risk management made on the basis of the risk survey. The risk survey also includes an assessment of the company's approach to risks.

Sponda's toolbox for risk management includes risk aversion, risk elimination and reducing the probability of their materialisation. Risks can also be restricted and reduced. A business continuity and recovery plan has been prepared for the contingency that substantial risks materialise.

Sponda's risk management procedures are described in more detail under section "Sponda/Risks and risk management" in the Annual Report available on Sponda Plc's website.

The executive management reports Group-level risks to the Board of Directors twice a year. Risk reporting at Executive Board and business unit levels takes place as part of enterprise resource planning.

Sponda's Audit Committee has reviewed the principles of internal control and the internal audit guidelines. The Audit Committee approves the internal audit plan annually.

### **10.3 Main features of internal control related to financial reporting**

The risk management in Sponda's financial reporting process constitutes a part of the Group's overall risk management and internal control. The company has defined the main features of its internal control using the international COSO model. The model has been used in defining the control environment, risk assessment method and the applicable control measures. The internal control solutions adopted by the company also take into consideration its industry, the management of the Group as a single entity and the incorporated holding of properties.

The company's internal control is a Group-wide process that involves, in addition to the Board of Directors and operative management, the rest of the personnel and internal audit. Internal control aims to ensure the effectiveness and appropriateness of the company's operations, the reliability of financial information and reporting as well as compliance with laws and regulations.

### **10.4 General description of internal control**

Internal control forms an essential part of the company's management and administration. Sponda's internal control covers all company policies, processes, practices and organisational models which allow the company's executive management to ensure that Sponda's business operations are conducted in a sound and ethical manner and in full compliance with laws and regulations. The management also ensures that the company's property is responsibly managed and that its financial reporting is appropriate. Internal control is part of Sponda's way of working and it is conducted on all levels of the organisation.

The processes of generating financial information have been clearly defined and assessed. The processes are described in, among other documents, the operating manual, other guidelines and in separate process descriptions. The key processes are related to financial statement information, planning, resource planning and investor relations. Internal control pays special attention to the production of external and internal financial information and its communication as well as information system controls. The risks and critical points of financial information production processes have been identified and the related control measures have been defined. Internal controls include executive or managerial assessments, performance indicators, control accounts, physical controls, the prevention of job combinations which may pose risks, ICT controls and anomaly reports.



## **10.5 Planning and reporting processes and assessing the fair value of property**

Business planning in Sponda is based on three-year Group strategies as well as annual action plans and monthly monitoring. The monitoring is complemented by monthly calendar-year forecasts and quarterly rolling 12-month forecasts. The Board of Directors approves the strategy and action plans that establish the targets for the company and each business unit. The annual targets concerning every Sponda employee are established in the personal performance reviews conducted each year. The Board of Directors reviews the monitoring and forecasts on a monthly basis. The Business Control and Financial Control units are in charge of verifying the accuracy of monitoring. Accuracy is also verified by other internal control methods. The monthly forecasts are produced by the business units. The Business Control unit is in charge of verifying the justifiability of forecasts. The forecasts are drawn up on the basis of the historical data prepared by the Financial Control unit.

External financial reports are reviewed by the Board of Directors and Audit Committee prior to their publication. The Audit Committee regularly consults with the auditors and internal auditor as well as an external expert on property valuation when processing the financial reports. The Board of Directors also receives the auditors' report and internal audit report for evaluation. The operative management analyses external financial reports prior to their review by the Board of Directors and Audit Committee. The business units evaluate the financial reports as far as their own unit is concerned. The Business Control and Financial Control units are in charge of verifying the accuracy of the financial reports. Various ICT controls and account reconciliation are also used to verify the accuracy of financial reporting.

The fair value of Sponda's investment property portfolio is determined in-house every three months, using the discounted cash flow method (DCF) with at least 10 years' worth of estimates. An external expert has audited Sponda's internal property valuation process as well as the calculation methods and reporting. In addition, Sponda has an external expert review all property valuation material at least twice every year, to ensure that the parameters and values used are based on market observations. The rental income in cash flow calculations is based on data concerning valid lease contracts retrieved from the property management system and, upon their expiration, on the management's estimations concerning market rents, based on market information. Rental income is adjusted according to occupancy rates and actual maintenance costs estimated by the management. Risk factors pertaining to fair value assessments are taken into account when determining yield requirements.