



GOVERNANCE STATEMENT 2017

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CITYCON GROUP'S CORPORATE GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2017

I. INTRODUCTION

Citycon Oyj (**Citycon** or **company**) is a Finnish public limited liability company listed on the Nasdaq Helsinki Ltd (the **Helsinki Stock Exchange**). Citycon Oyj and its subsidiaries constitute the Citycon group.

Citycon's corporate governance principles are based on legislation in force in Finland, the rules and regulations issued for listed companies by the Helsinki Stock Exchange and the Finnish Financial Supervisory Authority as well as Citycon's Articles of Association. Corporate governance in Citycon's subsidiaries is also governed by the laws of the country in which the subsidiary is domiciled, and by each subsidiary's Articles of Association. In addition, Citycon applies the Finnish Corporate Governance Code 2015 published by the Finnish Securities Market Association (**Corporate Governance Code**) and Citycon's own Code of Conduct and Corporate Governance Guidelines.

This corporate governance statement (**CG Statement**) has been prepared in accordance with the recommendations of the Corporate Governance Code.

In 2017, Citycon followed the recommendations of the Corporate Governance Code without deviation.



In 2017, Citycon followed the recommendations of the Corporate Governance Code without deviation

This CG Statement has been prepared as a separate report, distinct from the Report by the Board of Directors. The Audit and Governance Committee of the Board of Directors has reviewed the CG Statement on 6 February 2018. Ernst & Young Oy, the company's auditor, has verified that the CG Statement has been issued and that the description of the main features of the internal control and risk management systems related to the financial reporting process is consistent with the company's Financial Statements.

This CG Statement was published on 8 February 2018 simultaneously with Citycon's Financial Statements and the Report by the Board of Directors for 2017.

II. DESCRIPTIONS CONCERNING CORPORATE GOVERNANCE

Citycon's statutory bodies are the General Meeting, the Board of Directors and the CEO. The General Meeting elects members to the company's Board of Directors, and the Board of Directors appoints the company's CEO. The Board of Directors' work is enhanced by three Board committees whose members are elected by the Board of Directors among its members. In managing the company's business operations, the CEO is assisted by the Corporate Management Committee whose

members are appointed, upon the CEO's proposal, by the Board of Directors.

The work of the Board of Directors and its committees, the CEO and the Corporate Management Committee is governed by the Corporate Governance Guidelines approved by the Board of Directors. These guidelines contain charters for the Board and the committees, guidelines for the division of duties between the decision-making bodies, and guidelines for the arrangement of internal control and risk management. Charters are discussed in more detail below.

1. CITYCON'S CORPORATE GOVERNANCE MODEL

CORPORATE GOVERNANCE STRUCTURE



The Corporate Governance Code is available on the Securities Market Association's website at cgfinland.fi. The CG Statement and the same statements for previous years since 2010 are available on the company website at citycon.com/corporate-governance.

2. GENERAL MEETING OF SHAREHOLDERS

Citycon's shareholders exercise their decision-making power at the General Meeting. According to the Articles of Association, Citycon's Annual General Meeting is held annually by the end of April, once the financial statements have been prepared. Extraordinary General Meetings are convened whenever deemed necessary for decision-making purposes or when required by law.

The company publishes the notice to a General Meeting which includes a proposal for the meeting's agenda, the documents to be presented to the General Meeting and the Board of Directors' resolution proposals on the company's website, no later than three weeks prior to the General Meeting. The notice of a General Meeting includes proposals for the composition of the Board of Directors and the remuneration of Board members as well as a proposal for auditor, if these matters are to be processed at the General Meeting. If new persons are proposed for the Board of Directors, information about the candidates is presented on the company's website. The notice to the General Meeting is also published simultaneously as a stock exchange release.

A shareholder is entitled to demand a matter for discussion at a General Meeting if such a matter belongs to the General Meeting according to the Finnish Limited Liability Companies Act and if they demand it by giving notice to the company well in advance so that the matter can be included in the notice of a General Meeting. Before the end of the financial year 2016, the company

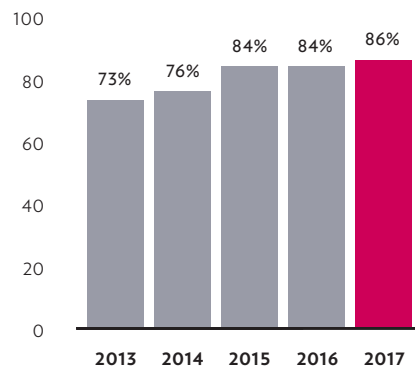
announced on its website at citycon.com/general-meeting and in the investor calendar that 31 January 2017 is the latest date on which shareholders may request a matter for discussion at the Annual General Meeting of 2017, and provided instructions for sending such a request. The company did not receive any such shareholder's request.

Citycon strives to facilitate the participation of its shareholders in General Meetings by arranging such meetings in a manner that enables both Finnish and international shareholders to participate in the meeting as extensively as possible and to efficiently exercise their right to vote, ask questions and speak at the meeting. The representation of shareholders in the company's Annual General Meetings has increased in the last five years.

Citycon's Annual General Meeting (AGM) 2017 was held on 22 March 2017. The meeting was attended by members of the Board of Directors, a first-time Board member candidate, the CEO, other senior executives of the company and the company's auditor. The Board Chairman's words to shareholders were heard on video.

Citycon published the decisions made by the AGM 2017 in a stock exchange release and on its website. The minutes of the AGM were available on the company's website within two weeks of the meeting.

ATTENDANCE IN GENERAL MEETINGS 2013-2017



Shareholders' attendance in Citycon's Annual General Meeting (in person or through a proxy representative) during 2013-2017 (% of all shares and votes)



Minutes of the General Meetings, General Meeting documents presented on the website and summaries of the resolutions of each General Meeting since 2010 are available in Citycon's GM archive at citycon.com/agm-archive. General information on General Meetings and shareholder rights can be found at citycon.com/general-meeting.

3. BOARD OF DIRECTORS

3.1 The composition of the Board of Directors

According to Citycon's Articles of Association, the company's Board of Directors consists of a minimum of five and a maximum of ten members. The Articles of Association do not contain any regulations on a specific procedure according to which the Board members are to be appointed.

The General Meeting of shareholders decides on the number of members of the Board of Directors and elects them at the Annual General Meeting and, when necessary, Extraordinary General Meetings.

According to the Corporate Governance Code, the majority of the members of the Board of Directors must be independent of the company. In addition, a minimum of two of these independent members must also be independent of the company's significant shareholders. The Board of Directors evaluates its members' independence annually.

The Board of Directors' proposal to the General Meeting on the composition of Citycon's Board of Directors is prepared by the Nomination and Remuneration Committee of the Board of Directors. The company's strategy and the requirements set by its operations, the company's development stage and the diversity principles specified by the company for the Board as described in **3.4 Diversity of the Board of Directors** shall be taken into account when planning the composition of the Board of Directors. However, the proposal to the General Meeting on the composition of the

Board of Directors shall always be primarily based on the candidates' qualifications. A person to be elected to the Board of Directors also must have the possibility to devote a sufficient amount of time to the work. Both genders shall be proposed as Board members.

Members of the Board of Directors and candidates for the Board are obligated to provide the Board with sufficient information for the evaluation of their qualifications and independence, and to notify the Board of any changes to this information.

The company shall ensure that new directors are adequately familiarised with the company and its business operations and practices.

The Board of Directors elects the Chairman and one or more Deputy Chairmen from among its members.

Citycon's AGM on 22 March 2017 set the number of Board members at ten. The following Board members were re-elected: Chaim Katzman, Bernd Knobloch, Arnold de Haan, Kirsi Komi, Rachel Lavine, Andrea Orlandi, Claes Ottosson, Per-Anders Ovin and Ariella Zochovitzky, and a new member of the Board, David Lukes, to replace Dor J. Segal. The members of the Board of Directors were elected for a term of one year that ends at the close of the first AGM following their election.

The Board of Directors evaluated its members' independence in its formative meeting on 22 March 2017. The Board of Directors concluded that all Board members are independent of the company. Furthermore, according to the Board of

Directors' evaluation, Arnold de Haan, Bernd Knobloch, Kirsi Komi, Claes Ottosson, Per-Anders Ovin and Ariella Zochovitzky are independent of the company's significant shareholders. Chaim Katzman, Rachel Lavine and David Lukes are, or have recently been, in the employ of or Board members of Citycon's main shareholder, Gazit-Globe Ltd., or its affiliated companies and, therefore, are not independent of the company's significant shareholders. Andrea Orlandi is in the employ of Canada Pension Plan Investment Board, the parent company of CPP Investment Board European Holdings S.à.r.l, which is a significant shareholder in the company. Therefore, Andrea Orlandi is not independent of the company's significant shareholders.

The Board Chairman in 2017 was Chaim Katzman, with Bernd Knobloch and Dori Segal (until 22 March 2017) serving as Deputy Chairmen.



The diversity of the Board enables value-creating Board work

3.2 Information about Board members, 31 December 2017

**Board Chairman****CHAIM KATZMAN**

Member and Chairman of the Board of Directors since 2010
LL.B., Israeli and US citizen, born 1949

Main occupation: Norstar Holdings Inc. (former Gazit Inc.), founder, controlling shareholder and Board Chairman since 1991 and CEO since 2017; Gazit-Globe Ltd., Executive Chairman of the Board of Directors since 1998; Equity One Inc., founder and Board Chairman 1992–2017 (the company merged with Regency Centers Corporation in 2017); Regency Centers Corporation, Vice Chairman of the Board since 2017

The Board's assessment of independence: Independent of the company

Citycon shares*: 178,856

Membership in Citycon's Board committees:

Nomination and Remuneration Committee, Chairman

**Deputy Chairman of the Board****BERND KNOBLOCH**

Member of the Board of Directors since 2012, Deputy Chairman since 2013

University degrees in Law and Business Administration, German citizen, born 1951

Main occupation: Professional non-executive director

The Board's assessment of independence: Independent of the company and significant shareholders

Citycon shares*: 108,685

Membership in Citycon's Board committees:

Audit and Governance Committee
Strategy and Investment Committee

**ARNOLD DE HAAN**

Member of the Board of Directors since 2014

LL.M, Dutch citizen, born 1954

Main occupation: Boishaen B.V., Founder and Managing Director since 2008

The Board's assessment of independence: Independent of the company and significant shareholders

Citycon shares*: 450,000

Membership in Citycon's Board committees:

Nomination and Remuneration Committee
Strategy and Investment Committee

**KIRSI KOMI**

Member of the Board of Directors since 2011

LL.M., Finnish citizen, born 1963

Main occupation: Professional non-executive director

The Board's assessment of independence:

Independent of the company and significant shareholders

Citycon shares*: 11,933

Membership in Citycon's Board committees:

Audit and Governance Committee
Nomination and Remuneration Committee

**RACHEL LAVINE**

Member of the Board of Directors since 2015

CPA., MBA, Israeli citizen, born 1965

Main occupation: Atrium European Real Estate Ltd., Vice Chairman of the Board since 2014; Gazit-Globe Ltd., CEO 2015–2017

The Board's assessment of independence:

Independent of the company

Citycon shares*: -

Membership in Citycon's Board committees:

Audit and Governance Committee
Strategy and Investment Committee

* Includes the shares and share-based rights in the company and companies belonging to the same group held by the director and corporations over which he or she exercises control



Board members' personal details can also be found on the company's website at citycon.com/board-directors and information on their personal shareholdings in Citycon at citycon.com/managers-holdings-shares.



DAVID LUKES

Member of the Board of Directors since 2017

M.Sc. (real estate development), Architect, US citizen, born 1970

Main occupation: DDR Corp., CEO and President since 2017; Equity One, Inc., CEO and President 2014–2017

The Board's assessment of independence: Independent of the company

Citycon shares*: -

Membership in Citycon's Board committees:

Strategy and Investment Committee, Chairman



ANDREA ORLANDI

Member of the Board of Directors since 2014

MBA (INSEAD), Italian citizen, born 1971

Main occupation: Canada Pension Plan Investment Board (CPPIB), London, Managing Director, Head of Real Estate Investments Europe since 2014

The Board's assessment of independence: Independent of the company

Citycon shares*: -

Membership in Citycon's Board committees:

Audit and Governance Committee
Strategy and Investment Committee



CLAES OTTOSSON

Member of the Board of Directors since 2004

Electrical Engineer, Swedish citizen, born 1961

The Board's assessment of independence: Independent of the company and significant shareholders

Main occupation: ICA Kvantum Hovås, Managing Director since 1990

Citycon shares*: 77,802

Membership in Citycon's Board committees:

Nomination and Remuneration Committee
Strategy and Investment Committee



PER-ANDERS OVIN

Member of the Board of Directors since 2013

M.Sc (Economics), Swedish citizen, born 1956

Main occupation: Mengus Stockholm AB, Board Chairman, Partner and Owner since 2005; Marrakech Design/Ovin Consulting AB, owner since 2003

The Board's assessment of independence: Independent of the company and significant shareholders

Citycon shares*: 23,000

Membership in Citycon's Board committees:

Audit and Governance Committee
Nomination and Remuneration Committee



ARIELLA ZOCHOVITZKY

Member of the Board of Directors since 2009

B.A. (Economics and Accounting), CPA (Israel), MBA, Israeli citizen, born 1957

Main occupation: C.I.G. Consultants Ltd., General Manager & partner since 2001; C.I.G. Zochovitzky Ltd., General Manager & partner since 2012

The Board's assessment of independence: Independent of the company and significant shareholders

Citycon shares*: 11,700

Membership in Citycon's Board committees:

Audit and Governance Committee, Chairman
Nomination and Remuneration Committee

** Includes the shares and share-based rights in the company and companies belonging to the same group held by the director and corporations over which he or she exercises control*



Board members' personal details can also be found on the company's website at citycon.com/board-directors and information on their personal shareholdings in Citycon at citycon.com/managers-holdings-shares.

3.3 Description of the charter and operations of the Board of Directors

In addition to the statutory duties, the charter of the Board of Directors is included in the Corporate Governance Guidelines. According to the charter, the most important duties of the Board of Directors are as follows:

- confirm the business strategy, targets and main procedures
- appoint the CEO and approve the appointment of other members of the Corporate Management Committee
- supervise the finances (including, for example, approval of interim and half-yearly reports, financial statements and group-level budgets and financing plans and overseeing their implementation)
- determine the company's dividend policy
- decide on major and strategically important (property) acquisitions, (property) divestments and (property) development projects
- decide on the remuneration principles and schemes of the CEO and employees and approve the division of remunerations paid under the schemes
- confirm the corporate governance principles and the principles of internal control and risk management and monitor the adequacy, appropriateness and efficiency of the company's administrative processes

The CEO provides the Board of Directors with a regular review of the most significant matters with regard to the company's operations, business environment and financial position.



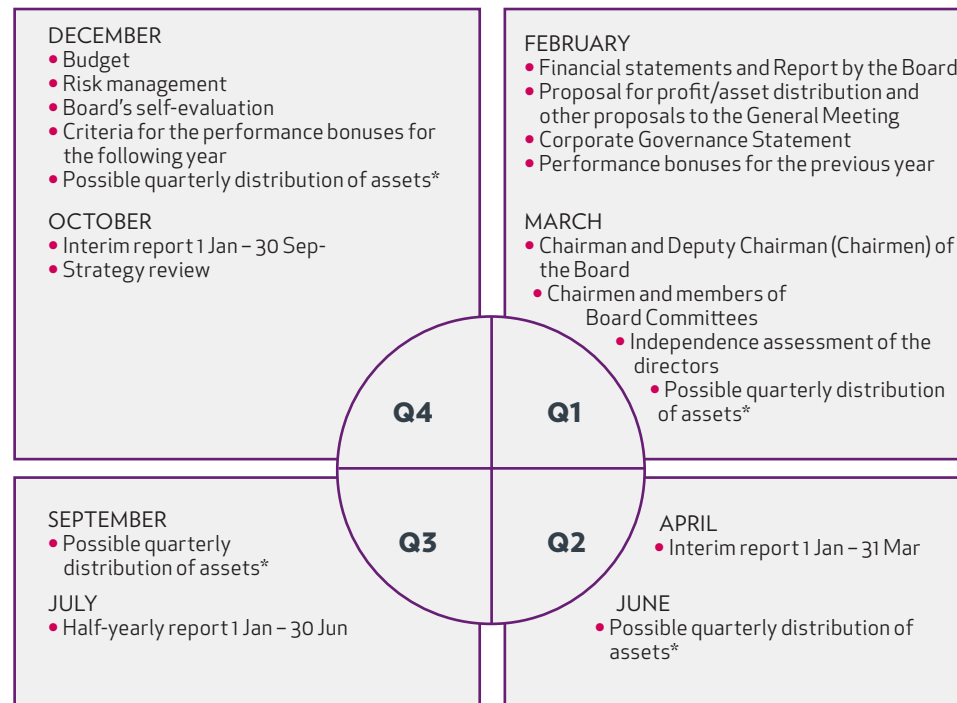
The Board members are strongly committed to the company and actively participate in the Board and Committee work

The Board of Directors convenes according to a predetermined meeting schedule eight times a year and when deemed necessary. The meeting schedule is based on the company's financial reporting schedule, the asset distribution schedule and the Board of Directors' strategy and budget meetings, as indicated in the Board's year clock shown on the right.

Items are discussed in Board meetings in accordance with a prepared agenda. The Board of Directors constitutes a quorum if more than half of its members are present. Considering the Board of Directors' international composition, the use of telephone or video conferencing for meetings is possible. Minutes are kept of each meeting, and they are reviewed and approved in the following meeting.

The Board of Directors evaluates its operations and working methods annually. The Nomination and Remuneration Committee ensures that the evaluation

BOARD OF DIRECTORS' YEAR CLOCK



* Authorisation granted by the GM to the Board is required

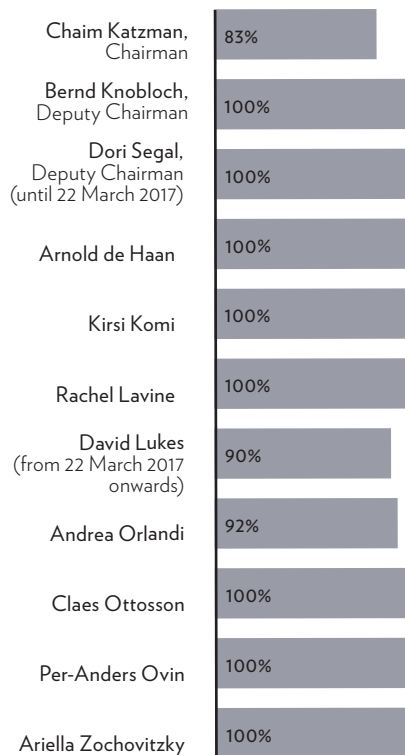
is carried out. In 2017, the evaluation was conducted as self-evaluation. One of the highlights of the evaluation was the significance of the diverse expertise of the Board as facilitator of efficient and value creating Board work.

In 2017, Citycon's Board of Directors held four meetings in addition to its original meeting schedule, convening a total of 12 times during the year. Of the meetings, four were held in the headquarters of the company, two in the company's office in Stockholm, five as video/teleconferences, and one as a per capsulam meeting, i.e. through a unanimous written decision. Board meetings outside the original meeting schedule were mostly related to the sale of non-core assets, and the NOK-denominated bond issued in September.

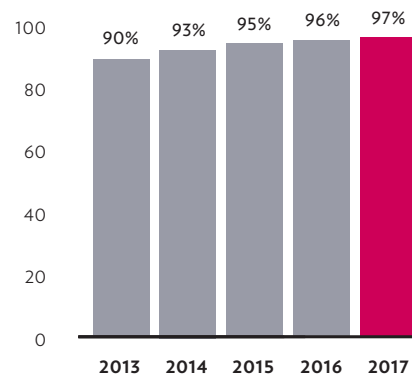
The Board members are committed to Board work and participate actively in the meetings.

The average attendance rate at Board meetings in 2017 was 97%.

BOARD MEETING ATTENDANCE IN 2017



AVERAGE BOARD MEETING ATTENDANCE IN 2013-2017



3.4 Diversity of the Board of Directors

Citycon's Corporate Governance Guidelines states the principles of diversity for the Board of Directors. According to the principles of diversity, when planning the composition of the Board, the Nomination and Remuneration Committee shall take into account the candidates' background, independence, age, gender, skills and experience, the suitable number of candidates and their opportunity to devote a sufficient amount of time to their work. In addition, the company's strategy, the requirements set by the company's operations and the company's stage of development shall be taken into account in the composition of the Board of Directors. The Nomination and Remuneration Committee shall take account of proposing both genders as members of the Board of Directors.

The company's Nomination and Remuneration Committee took into account

the company's diversity principles when preparing a proposal for the composition of the Board of Directors in 2017. The members elected for the Board of Directors in 2017 are presented above under item **3.2 Information about Board members**.

In 2017, the composition of Citycon's Board of Directors was balanced with regard to the diversity principles. The members of Citycon's Board of Directors had extensive and diverse expertise and an international background. The members' competence, education, experience and seniority complemented each other. Some members have been in the Board for a longer time, some less. The Board of Directors has special expertise and experience in the fields of real estate and retail business, financing and accounting, legal affairs and corporate management and administration. The directors represented

NATIONALITY



Finland, Germany, Israel, Italy, Sweden, The Netherlands and The United States

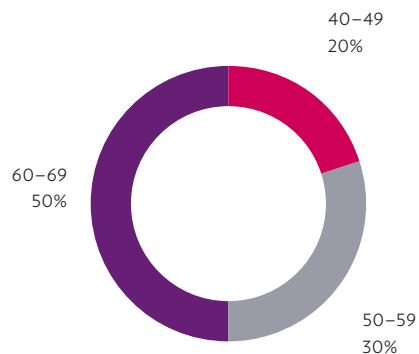
seven nationalities. Both genders were represented in Citycon's Board of Directors in accordance with the objectives specified by

the company, and the directors were active in their participation in the operations of the Board.

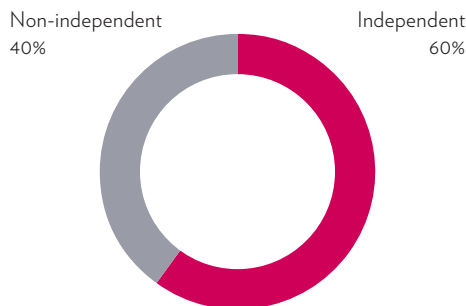
GENDER



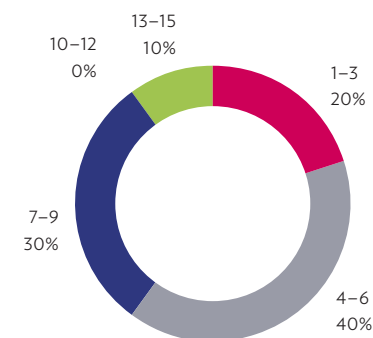
AGE



INDEPENDENCE OF SIGNIFICANT SHAREHOLDERS*



DURATION OF BOARD MEMBERSHIP*



* All Board members are independent of the company

4. BOARD COMMITTEES

4.1 Operations and compositions of the committees

Citycon's Board of Directors is assisted by three committees set up by the Board of Directors: the Audit and Governance Committee, the Nomination and Remuneration Committee and the Strategy and Investment Committee.

In Board committees, directors are able to delve into matters in greater detail than the Board of Directors as a whole. Each committee's main duties and working principles are established in writing by the committee charters included in Citycon's Corporate Governance Guidelines.

The Board of Directors elects the Board Committee members and chairmen from among its members. The committee members shall have the expertise and experience required for the duties of the committee. A committee always has at least three members. The CEO does not belong to any of the committees.

The committees' chairmen report on issues discussed by the committees to the Board of Directors. In addition, minutes are prepared of all committee meetings and made available to all Board members.

The members of Board committees in 2017 are listed above under **3.2 Information about Board members** and below in connection with the description of each committee.

4.2 Descriptions of committee charters and operations

Audit and Governance Committee

The Audit and Governance Committee has a central role in the company's financial reporting process and the development of corporate governance practices. Furthermore, the committee's tasks include communications with the auditor and internal audit.

According to the committee charter, the most important duties of the Audit and Governance Committee are as follows:

- monitor financial reporting and review the financial reports and the corporate governance statement
- monitor the efficiency of internal control, internal audit and risk management systems and approve internal audit plans and reports
- make recommendations related to corporate governance and review the company's Code of Conduct principles and compliance with them
- evaluate the independence of the Board members and make related recommendations to the Board
- prepare a proposal to the Board on the election and remuneration of the auditor to be presented to the General Meeting
- review auditor's reports and communicate with the auditor
- evaluate the auditor's independence
- prepare a proposal to the Board of Directors for the election of an external appraiser to assess the company's property portfolio

Members of the Audit and Governance Committee must be independent of the company and at least one committee member must be independent of the company's significant shareholders. Committee members must have expertise and experience in the respective field. At least one committee member must be a financial expert with sufficient knowledge and experience in the fields of accounting or auditing and in the accounting principles applicable to the company.

Citycon's responsible auditor attends the Audit and Governance Committee meeting in which the company's annual financial statements are reviewed, and reports on audit findings. The responsible auditor also attends other Audit and Governance Committee meetings upon the committee's request. In 2017, the company's auditor, Ernst & Young Oy, was represented in the committee meetings in which the company's interim and half-yearly reports, financial statements and budget-related risks were reviewed.

The Audit and Governance Committee meets at least four times a year in accordance with the company's financial reporting schedule in order to review the interim and half-yearly reports and annual financial statements of the company. In 2017, the Audit and Governance Committee processed, in addition to the regular financial reports, the company's risk management and treasury reports, internal audit plans and reports, property portfolio valuation reports, updates to the Insider Guidelines, the Disclosure Policy and Code of Conduct, and auxiliary services purchased from the auditor. The

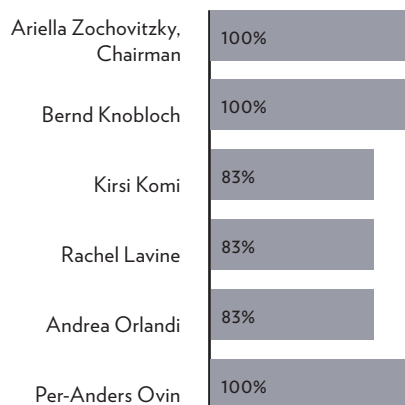


Good collaboration with the auditor and internal audit

Audit and Governance Committee also prepared a proposal for a decision on the election of an external property evaluator.

The committee also prepared a suggestion on the election of the auditor and remuneration paid to the auditor to the Board of Directors who presented it to the Annual General Meeting.

The Audit and Governance Committee convened six times in 2017. The average attendance rate at the meetings stood at 92%. The graph below indicates attendance rates by member.



Nomination and Remuneration Committee

The Nomination and Remuneration Committee prepares proposals for the election of the Board of Directors and their remuneration, as well as matters regarding the appointment and remuneration of the CEO and other senior executives, and employee remuneration schemes.

According to the committee charter, the most important duties of the Nomination and Remuneration Committee are as follows:

- find candidates for the Board of Directors and prepare proposals on the election of the Board members and their remuneration to the Board of Directors for presentation to the General Meeting
- prepare a proposal to the Board of Directors for the composition and chairmen of the Board committees
- ensure that the Board carries out its annual self-evaluation
- prepare matters pertaining to the appointment and remuneration of the company's CEO, the CEO's deputy and other senior executives
- prepare the company's remuneration schemes and monitor their appropriateness
- evaluate the CEO's performance
- evaluate the successor planning of the senior executives

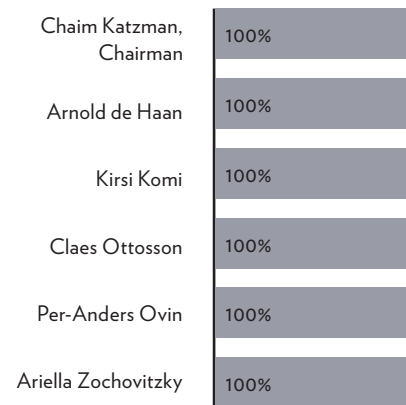
The members of the Nomination and Remuneration Committee must be independent of the company.

When seeking potential Board members, the Nomination and Remuneration Committee shall take account of the requirements of the company's strategy and operations, the diversity principles of the Board and the company's stage of development. The company's diversity principles are described above under **3.4 Diversity of the Board of Directors**. The committee begins preparations for the election of Board members in the autumn prior to the following year's AGM. The Nomination and

Remuneration Committee consults significant shareholders of the company in this matter.

The Nomination and Remuneration Committee meets at least twice a year. In 2017, the Nomination and Remuneration Committee prepared proposals for the Board concerning the number and remuneration of Board members and the composition of the Board, which the Board then presented to the AGM. Other matters addressed at the committee's meetings focused on, among others, the company's short- and long-term remuneration schemes and remunerations paid under the schemes.

In 2017, the Nomination and Remuneration Committee convened three times with an average attendance rate of 100%. The graph below indicates attendance rates by member.



Strategy and Investment Committee

The Strategy and Investment Committee supports the Board of Directors in defining and monitoring the company's strategic direction, and monitors the company's prop-



Guidance for optimising the property portfolio

erty development projects and optimisation of the property portfolio.

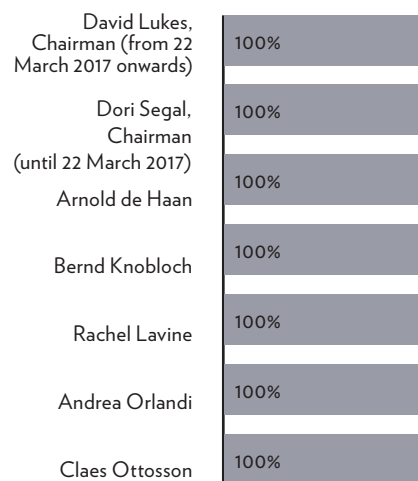
According to the committee charter, the most important duties of the Strategy and Investment Committee are as follows:

- guide and develop the optimisation of the company's property portfolio and explore alternative ownership structures to optimise the property portfolio
- set general guidelines for the acquisition of new properties and the redevelopment of properties
- develop and supervise planning and approval processes of acquisitions, property development projects and divestments pertaining to the company's property business
- follow-up on property development projects as well as integration process and profitability of completed projects and acquired properties
- decide on acquisitions, property development projects and divestments within the authorisations set by the Board of Directors, or make recommendations on decisions to the Board

The members of the Strategy and Investment Committee must be independent of the company.

The Strategy and Investment Committee meets as necessary but at least twice a year. In 2017, the Strategy and Investment Committee made recommendations for resolutions to the Board regarding, for instance, divestment of non-core assets and property development projects. The committee also discussed further development of Citycon's property portfolio and the market conditions in Citycon's operating countries.

In 2017, the Strategy and Investment Committee convened four times with an average attendance rate of 100%. The graph below indicates attendance rates by member.



5. CHIEF EXECUTIVE OFFICER (CEO)

Citycon's Board of Directors appoints the company's CEO and decides on the terms and conditions of his/her service agreement. The service terms of the CEO are stipulated in a written service agreement approved by the Board of Directors.

According to the company's Corporate Governance Guidelines, the duties of the CEO are as follows:

- be in charge of the day-to-day management and supervision of the company in accordance with the provisions of the Finnish Limited Liability Companies Act, the company's Corporate Governance Guidelines and the authorisations and guidelines received from the Board of Directors
- bear responsibility for ensuring that the company's accounting is legally compliant and that its financial affairs are arranged in a reliable manner
- attend to the everyday management of the company in accordance with the guidelines and instructions given by the Board of Directors
- prepare matters to be presented to the Board
- attend the meetings of the Board of Directors and its committees and present matters to the Board and its committees insofar as this is not done by the chairman of the Board or the committee in question
- oversee compliance with the guidelines, procedures and strategic plans established by the Board of Directors
- ensure that Board members continuously receive all the information they need to

- monitor the company's financial position, liquidity, financing and other development
- inform the Board of Directors of any major events, decisions and plans related to the company's business
- serve as the Chairman of the company's Corporate Management Committee

Marcel Kokkeel (LL.M., born 1958), a Dutch citizen, has been the company's CEO since 2011. The CEO's service agreement is valid until further notice. The period of notice of the service agreement is six months, both for the CEO and the company. In case of notice by the company, the CEO shall be paid, in addition to the salary payable for the notice period, a severance pay consisting of 1.5 times the CEO's fixed annual salary at the moment of termination.

6. CORPORATE MANAGEMENT COMMITTEE

In managing the company's business operations, Citycon's CEO is assisted by the Corporate Management Committee, comprising at least three members.

As an expert body, the Corporate Management Committee's main duty is to assist the CEO in the management of the company's operative business, to co-ordinate and develop the company's various operative functions and to promote information flow and co-operation between different parts of the organisation.

In accordance with the company's Corporate Governance Guidelines, the Corporate Management Committee assists the CEO, particularly in the following matters:

- preparing changes and revisions related to the company's strategy in accordance with the guidelines issued by the Board of Directors for presentation to the Board
- preparing the company's budget for presentation to the Board and monitoring its implementation
- planning and preparing organisational changes required by the Board of Directors and the CEO
- monitoring the profitability of the company and its business units and current affairs relevant to the business

As a general rule, the Corporate Management Committee convenes once a month in the various countries the company operates in. In 2017, the Corporate Management Committee convened 15 times. The Secretary to the Corporate Management Committee was, until September 2017, Henrica Ginström, Vice President, IR and Communications, and from November 2017, Mikko Pohjala, Head of Investor Relations.

Information about the CEO and other members of the Corporate Management Committee, 31 December 2017



**Chief Executive Officer (CEO)
Chairman of the Corporate Management Committee**

MARCEL KOKKEEL

Member of the Corporate Management Committee since 2011

LL.M. (Law), Dutch citizen, born 1958

Citycon shares*: 674,748

Citycon stock options 2011: 1,000,000



Chief Operating Officer

JURN HOEKSEMA

Member of the Corporate Management Committee since 2014

M.Sc. (Engineering), Dutch citizen, born 1974

Area of responsibility: operational business, marketing

Citycon shares*: 7,252

Citycon stock options 2011: -



Executive Vice President and Chief Financial Officer

EERO SIHVONEN

Member of the Corporate Management Committee since 2005

M. Sc. (Econ.), Finnish citizen, born 1957

Area of responsibility: finance, treasury, investor relations, IT

Citycon shares*: 161,892

Citycon stock options 2011: 750,000



Chief Development Officer

TOM LISIECKI

Member of the Corporate Management Committee since July 2017

BA (Honours) (Econ.), EMBA, Canadian and Polish citizen, born 1979

Area of responsibility: property investments and development

Citycon shares*: -

Citycon stock options 2011: -



General Counsel, Head of Legal Affairs

ANU TUOMOLA

Member of the Corporate Management Committee since 2011

LL.M., Trained at the Bench, Finnish citizen, born 1974

Area of responsibility: legal matters, compliance, Board secretary

Citycon shares*: 2,992

Citycon stock options 2011: 300,000

7. REMUNERATION

Citycon's Remuneration Statement is provided as a separate report, distinct from this CG Statement. The Remuneration Statement includes the description of the decision-making procedure concerning the remuneration of the directors, the CEO and any other executives and of the main principles of remuneration, as well as the remuneration report which discloses the remuneration paid during the previous reporting period.



Citycon's Remuneration Statement is available on the company's website at citycon.com/remuneration.



Information on Corporate Management Committee members' career histories and positions of trust is available on the company's website at citycon.com/corporate-management-committee.

The personal information and holdings of the Vice President, Marketing and Branding who stepped down from Citycon's Corporate Management Committee on 31 December 2017 are included in the footnote (information as of the day of resignation).**

* Includes the shares and share-based rights in the company and companies belonging to the same group held by the CEO or CMC member and corporations over which he or she exercises control.

** Vice President, Marketing and Branding, Marianne Mazarino Håkonsen, Member of the Corporate Management Committee 2015 - 31 December 2017, M.Sc. (Communications), Norwegian citizen, born 1967
Citycon shares*: -
Citycon stock options 2011: -

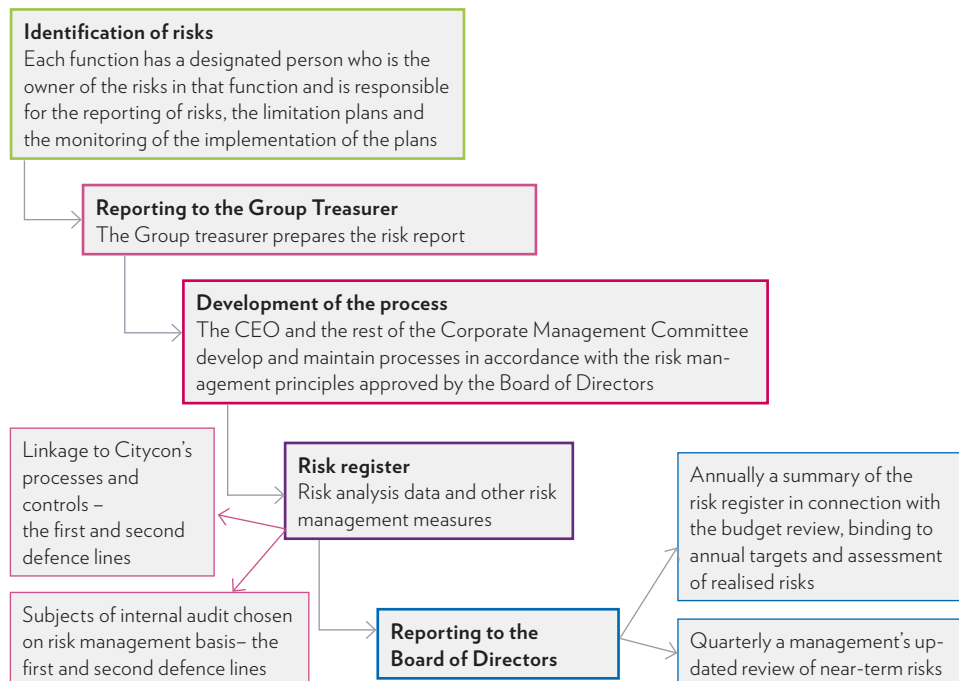
III. DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

The purpose of Citycon's risk management and internal control is to ensure that the Group's operations are both efficient and effective, that reporting is consistent and reliable and that the applicable laws and regulations as well as the Citycon group's operating principles are observed. Internal control of financial reporting aims to ensure

that any interim and half-yearly reports and financial statements to be published are reliable and are prepared in compliance with the accounting policies and reporting principles applied by Citycon and give materially correct information about the company's financial position.

On 31 December 2017 Citycon had a total of 95 subsidiaries, 25 joint ventures and associated companies and 3 companies with less than 20% minority ownership in its operating countries.

MAIN FEATURES OF THE RISK MANAGEMENT PROCESS AND ITS RELATION TO INTERNAL CONTROL



1. GENERAL DESCRIPTION OF RISK MANAGEMENT

Citycon is exposed to various risks through the normal course of its business operations. Expected gains are to be assessed against the involved risks. Citycon's risks are managed in the various functions as a part of operational management and risk management constitutes part of the company's internal control.

The risk management and reporting process involves:

- identifying the existing risks
- assessing the risk management measures
- making new risk limitation plans if the current measures are not deemed sufficient for the management of the identified risks.

The risk reporting process gathers data on risk analysis, risk management plans and risk owners into one group-wide risk register, for annual reporting to Citycon's Board of Directors. This is done in conjunction with the budgeting process so that the risks are linked to the annual targets. In order to evaluate the importance of each risk, an estimate of the potential future loss associated with the realisation of the risk is determined together with the probability of the realisation of the risk, whenever possible. This also improves the comparability of risks between business units and functions. In addition, the realised risks during the previous year are assessed and reported.

Each function in the company has a designated person who is the owner of risk management in that area and is also responsible for the reporting of risks, limitation plans and



The objective of Citycon's risk management is to ensure that the business targets are achieved by identifying, assessing and monitoring key risks as well as to avoid, transfer or mitigate these risks

monitoring the implementation of the plans. Key risks are reported to the Group Treasurer, who prepares the risk report for the Board of Directors. The CEO and the Corporate Management Committee are responsible for developing and maintaining the processes in accordance with the risk management principles approved by the Board of Directors. The Board of Directors monitors the company's business risks and uncertainties on a regular basis and reports them as required by law and the regulations and guidelines issued by the Finnish Financial Supervisory Authority.

Each year, Citycon assesses risks related to processes deemed significant to financial reporting, to serve as a basis for internal control over external financial reporting. In addition to the group's finance function, the business units' financial management participates in the risk assessment process. Fraud risks are also assessed in this connection.

The company's key risks and uncertainties and the most important risk management measures and principles are covered more extensively annually in connection with Citycon's financial statements.

2. GENERAL DESCRIPTION OF INTERNAL CONTROL

Citycon's internal control system is based on the international COSO 2013 framework (The Committee of Sponsoring Organizations of the Treadway Commission). It includes the key principles related to the control environment, risk assessment, control activities, information, communication and monitoring

activities. The cornerstones of Citycon's control environment include group-level operating policies and guidelines, harmonised controls in the operating processes and assessment of controls and deviations during the reporting period. In 2017, Citycon continued to develop, supervise and monitor the internal controls in its processes, within the framework prepared in 2010 and updated in 2014. The assessment of the effectiveness of control points continued by testing controls in the business units and group functions. The company evaluated the testing, and any exceptions in the tests were assessed individually and in aggregate. On

the basis of the summary prepared by the company, there are no indications that these control deviations would lead to material errors in Citycon's financial statements.

3. INTERNATIONAL COSO FRAMEWORK AS THE FOUNDATION FOR INTERNAL CONTROL

Control environment

The division of duties included in Citycon's Corporate Governance Guidelines and the group's organisational structure ensure that the areas of responsibility and division of authority are clear for all functions and the management and employees.

At Citycon, the Board of Directors is responsible for arranging and maintaining adequate and effective internal control.

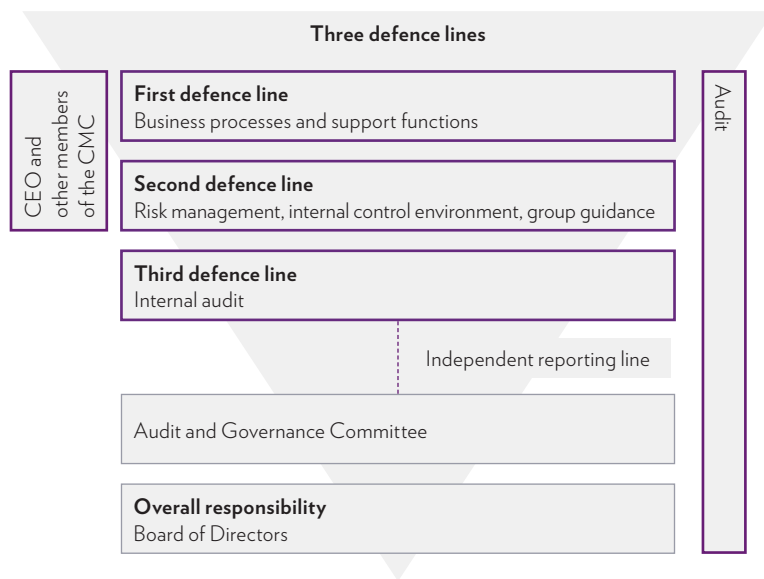
In accordance with the Board of Directors' and its committees' written charters, the Board's Audit and Governance Committee assesses the company's financial reporting process and the appropriateness of the internal control system and reviews the internal control reports. The duties of the Board of Directors and the Audit and Governance Committee are presented in more detail in the section regarding the Board of Directors and its committees.

It is the CEO's duty to attend to the implementation of practical actions regarding internal control and to maintain an organisational structure in which responsibility, authority and reporting relationships are clearly and comprehensively defined in writing. Citycon uses an authorisation matrix that covers all functions. It defines the

division of authority by specifying approval limits in euros for each organisational role. In addition, all of Citycon group's employees have a written job description, which includes the employee's key duties, areas of responsibility and authorisations. Job descriptions are reviewed twice a year during employee performance reviews, in which each employee's performance is assessed against set targets.

The ethical principles and business norms of Citycon's business are specified in Citycon's Code of Conduct, which is one of the basic documents of the company's corporate governance principles. Compliance with the principles is promoted through internal communication and training. Citycon makes an effort to ensure that its key business partners also comply with the same or similar principles.

ROLES IN INTERNAL CONTROL AND RISK MANAGEMENT



The group's personnel and business partners can report suspected violations of Citycon's Code of Conduct on Citycon's website at citycon.com/sustainability/report-violation.

4. CONTROL ACTIVITIES

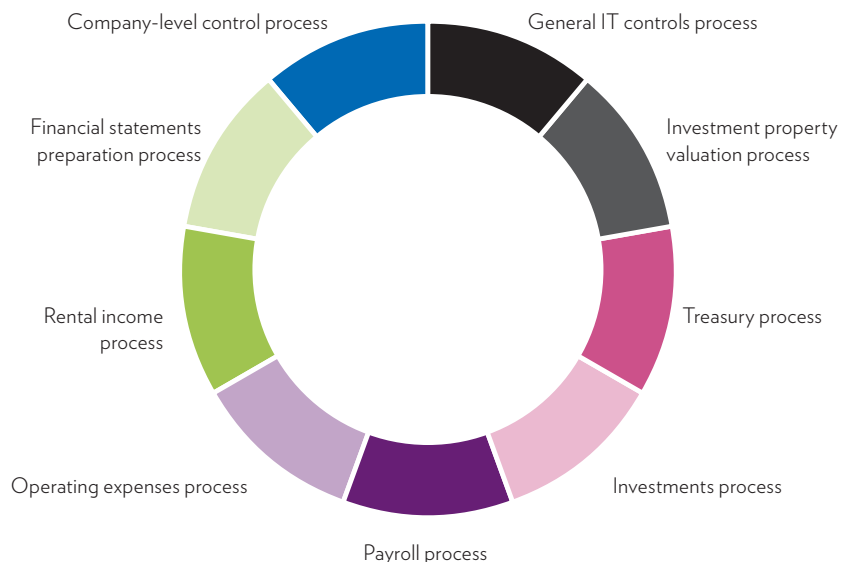
The company's accounting and reporting manuals define the standards, processes and responsibilities for financial reporting. These manuals facilitate the achievement of Citycon's objectives regarding the reliability of financial reporting. The Board of Directors approves group-level policies as determined in company's Corporate Governance Guidelines and any changes to them. Accounting and reporting manuals and policies are available on the company's intranet site. Meetings are held on a regular basis in which the manuals are discussed with all personnel involved in the financial reporting process.

Descriptions of processes that are significant to Citycon's business and reporting have been documented. These are implemented in the organisation's daily operations and thus constitute a material part of the daily risk management within the organisation. The process descriptions have been supplemented by defining control points in each process, based on the risk assessment of reporting. These control points include, for example, approvals, reconciling sub-ledgers and accounts, analytic reviews, limitations of access rights and segregation of duties. Control points for each process are documented in control catalogues, which have been customised by the business units

to reflect the characteristics of their own organisation's operations.

The defined control points are designed to prevent, detect and correct material errors and deviations in financial reporting. The number of control points varies by process, from approximately 10 to 20. These control points are also included in the descriptions of the day-to-day duties of employees participating in the reporting.

FINANCIAL REPORTING PROCESSES



5. INFORMATION AND COMMUNICATION

All external communication is carried out in accordance with Citycon's Disclosure Policy. The Board of Directors approves all financial reports issued by the company, before they are published as stock exchange releases.

The control points of the internal control are communicated to Citycon group's personnel. Business units have the main responsibility for this communication; they discuss the internal control targets and the defined control points in their meetings at various organisational levels.

THE COMPANY'S EXTERNAL COMMUNICATIONS ARE CARRIED OUT IN SEVERAL EVENTS AND IN DIFFERENT CHANNELS:



General meeting



Investor meetings



Analyst events



Company visits



Reports and releases



Website



Interviews



Expert panels

6. MONITORING ACTIVITIES

Citycon's business unit executives are responsible for ensuring that the relevant laws and regulations are adhered to in their respective functions of responsibility. The Corporate Management Committee also monitors compliance with laws and regulations as part of regular supervisory activities. The financial performance of the group and business units is monitored monthly through the group's business review processes.

In Citycon group, monitoring of internal control includes both ongoing and separate evaluations and audits. The objective of the monthly analysis of reported figures at various levels (e.g. shopping centre, cluster, business unit, group) is to detect whether the reported figures deviate from budgeted or forecast figures. The purpose of internal controls monitoring and testing is to detect control deviations in each significant process for financial reporting that might affect the accuracy of Citycon's financial reporting if the deviation in question is not corrected.

In 2017, testing of internal controls continued with regard to the main processes of the group management and each business unit. These tests were conducted by assessors who are independent of the business unit's daily operations and were steered by the group management. The significance and impacts of deviations detected in these tests were evaluated by the group management, and the necessary corrective measures were initiated. On the basis of the resulting summary drawn up by the group management, there are no indications that these control deviations would lead to material errors in Citycon's financial statements.

IV. OTHER INFORMATION TO BE PROVIDED IN THE CG STATEMENT

1. DESCRIPTION OF THE ORGANISATION OF THE COMPANY'S INTERNAL AUDIT AND OF THE MAIN PRINCIPLES FOLLOWED IN THE INTERNAL AUDIT

Citycon has a separate internal audit function. The duties of internal audit include independent and objective auditing activities, as well as value-adding consulting activities that improve operations. Internal audit contributes to the achievement of the company's objectives through systematic assessment and development of the company's risk management, internal control and corporate governance processes. The internal audit function reports directly to the Board's Audit and Governance Committee and, administratively, to the CEO. The internal audit reporting relationships are also described in section II **Descriptions concerning corporate governance** of this statement (see the figure 'Citycon's corporate governance structure'). A representative from Citycon's organisation has been designated to co-ordinate the practical work of internal audit. In 2017, internal audit services were purchased from an external service provider, PricewaterhouseCoopers Oy.

The Internal Audit Charter was last approved by the Board's Audit and Governance Committee in 2014. According to the charter, the duties of internal audit include, among others, assisting the Board of Directors, its committees and the corporate management with the assessment of processes related to the identification and management of risks,

supervision of financial reporting, efficiency of operations and compliance with law. Within the scope of the authorisation granted through the Internal Audit Charter, the internal audit function has unlimited access to Citycon's functions, processes, documents and personnel in order to perform audits.

The internal audit function assists the Board's Audit and Governance Committee in assessing and monitoring the adequacy and effectiveness of Citycon's internal controls and risk management, by performing audits in group legal entities and processes in accordance with the annual plan approved by the Board's Audit and Governance Committee. The annual plan is approved by the Audit and Governance Committee at its meeting each year. The progress of audits under the internal audit annual plan is reported to the Board's Audit and Governance Committee each quarter. In addition, the Board's Audit and Governance Committee deals with each internal audit report at its meeting, including observations, recommendations and action plans. Observations from the previous year and the progress of implementing the action plans are reported to the Audit and Governance Committee's second meeting of the year.

In accordance with Citycon's audit plan, internal audits in 2017 focused on a selected property development project, purchasing and leasing processes, selected security-related areas and follow-up of previous years' audit observations.

2. RELATED PARTY TRANSACTIONS

The company has determined that its related parties comprise Citycon Oyj and its

subsidiaries, associated companies and joint ventures; Board members; CEO and other Corporate Management Committee members; and the company's largest shareholder Gazit-Globe Ltd. that held 44.6% of the company's shares and votes on 31 December 2017.

Citycon evaluates and monitors transactions concluded between the company and its related parties and reports on them as required by the Finnish Limited Liability Companies Act and regulations concerning the preparation of financial statements, in the company's Report by the Board of Directors, the notes to the financial statements and interim and half-yearly reports. In addition, the company's Executive Vice President and Chief Financial Officer reports quarterly on the company's related party transactions to the Audit and Governance Committee of the Board of Directors and to Board members who are independent of significant shareholders.

In decision-making pertaining to related party transactions, the company ensures that potential conflicts of interests are appropriately taken into account and related parties or their representatives do not participate in the decision-making.

In 2017, the company had no related party transactions deviating from the company's normal business operations or not made on market or market equivalent terms.

3. MAIN PROCEDURES RELATING TO INSIDER ADMINISTRATION

In its insider administration, Citycon applies the EU's Market Abuse Regulation (MAR) and the Insider Guidelines issued by Helsinki Stock Exchange. The company's own Insider Guidelines approved by the company's Board of Directors supplement the applied insider regulation and specify the company's insider administration procedures. The company's General Counsel and Head of Legal Affairs is in charge of Citycon's insider issues.

3.1 Persons discharging managerial responsibilities and insider lists

The company has specified the members of the Board of Directors, the CEO and other members of the Corporate Management Committee as its managers referred to in the MAR. Citycon maintains a list of managers and their closely associated persons in Euroclear Finland Ltd's SIRE system. The persons on the list are obligated to report their business transactions in Citycon's financial instruments to the company and the Finnish Financial Supervisory Authority. Citycon publishes such transactions as stock exchange releases.

At the beginning of insider projects, the company sets up a project- or event-based insider lists. The lists include information of persons participating in projects, such as capital market events or significant company or property business transactions. During insider projects, they are not allowed to trade in financial instruments related to the company.

The company does not maintain a list of permanent insiders.



Managers' and their closely associated persons' transactions in Citycon financial instruments are published in the Managers' Transactions section in the Citycon Newsroom at citycon.com/newsroom.

3.2 Closed period and trading restrictions

Citycon applies a closed period of 30 calendar days prior to announcing its financial statements, half-yearly reports and interim reports. The closed period concerns persons discharging managerial responsibilities in the company and other company employees who participate in the preparation of financial statements, half-yearly reports and interim reports. During that period, they are not allowed to trade in securities issued by Citycon, or other securities or financial instruments targeting Citycon shares or securities entitling to Citycon shares. In addition, persons discharging managerial responsibilities are at all times obligated to consult Citycon's insider administration prior to a planned transaction in Citycon's financial instruments.



Closed window periods are shown in the investor calendar which is available at citycon.com/investor-calendar.

4. AUDITOR AND REMUNERATION PAID TO THE AUDITOR

On 22 March 2017, Citycon's Annual General Meeting re-elected audit firm Ernst & Young Oy the company's auditor, with Mikko Ryttilahti (Authorised Public Accountant) acting as the responsible auditor appointed by the firm since 2014.

In 2017, Citycon paid EUR 0.7 million in remuneration to its auditor, related to its general audit. In addition, Citycon purchased advisory services from the auditor by EUR 0.1 million, relating to matters such as the establishment of the company's EMTN ("Euro Medium Term Note") programme and the bond issued in the EMTN programme in September.