# Information for investors

Valid as of 2 April 2024.

This document contains information that must be provided to the client in accordance with regulation governing investment services binding on OP Asset Management Ltd (OP Asset Management) as well as with regulations and instructions issued by the relevant authorities. More detailed information on each service or product can be found in the related terms and conditions or agreement. The information provided in this document is based on Finnish legislation and the laws of Finland shall apply to all agreements. In the event of any inconsistency or discrepancy between this document and service- or product-specific terms and conditions or the agreement, the agreement or the terms and conditions shall prevail.

Any changes and updates to this document will be available on OP Financial Group's website at op.fi.

## 1 Information on the service provider

### 1.1 Basic information on OP Asset Management

OP Asset Management holds an operating licence in accordance with the Act on Investment Services covering asset management and investment advice, transmission and execution of orders and arrangement of issues. OP Asset Management may also offer custody and management services for financial instruments, safe-deposit services and foreign-exchange service related to investment service, and be engaged in the provision and distribution of investment research, financing analyses and other similar recommendations, and in other operations comparable with, or closely related to, the aforementioned services.

OP Asset Management also acts as the insurance agent of OP Life Assurance Company Ltd (hereinafter OP Life Assurance Company) and has been entered in the Register of Insurance Intermediaries, which is available through the website of the Finnish Financial Supervisory Authority (FIN-FSA). As part of its insurance agent activities, OP Asset Management offers insurance products in the name and on behalf of the insurance company. OP Asset Management and OP Life Assurance Company belong to the same OP Financial Group.

### 1.2 Regulator

Regulator that supervises OP Asset Management and acts as the licencing authority:

Finnish Financial Supervisory Authority
Snellmaninkatu 6, P.O. Box 103
FI-00101 Helsinki
Phone +358 10 831 51

### 1.3 Contact information

OP Asset Management's contact information can be found at www.op.fi.

### 1.4 Languages available for the service

Finnish and Swedish. English with certain restrictions.

## 1.5 Contact

The client may place an order regarding financial instruments orally, in writing, by email (in which case the client must check by phone that the asset manager has received the order), in a standard way applicable to the service or in another way agreed separately with the client.

OP Asset Management has the right to send the client written information related to the service by letter, through OP's digital services, by email (secure email), in a standard way applicable to the service or in another way agreed with the client separately. The client is aware that using email to communicate, in case its use has been agreed upon, involves special risks, for example, the message will not possibly be delivered to its addressee, the message may go into the hands of an external party or an external party may change the content of the message. OP Asset Management has the right to trust that an order received by email is true and correct, after the order has been confirmed by phone as explained above.

## 1.6 Client categorisation

OP Asset Management categorises its clients as retail clients or professional clients. The client has the right to request in writing a recategorisation of their status. If the client is categorised as a professional client, the client will not be covered by the protection provided by the Investors' Compensation Fund. Not all procedures concerning the service provider's obligation to provide and request information will apply to professional clients.

Client categorisation has an effect on the extent of OP Asset Management's obligation to provide and request information in relation to the investment service or financial instrument provided to the client.

# 2 Information on investment services provided by OP Asset Management

OP Asset Management provides institutions and other entities as well as wealthy individuals with asset management services. OP Asset Management provides its clients with investment advice on financial instruments (advisory investment management) and investment management services (discretionary portfolio management) and reception and transmission or execution of orders for mutual fund units and other orders for financial instruments. In addition to investment services, OP Asset Management may provide ancillary investment services.

When OP Asset Management provides its client with investment management service or non-independent investment advice, it will ask the client for information about their financial standing, including tolerance to bear losses, investment experience in and knowledge of the financial instrument concerned as well as investment objectives, including the risk limit according to regulation applicable from time to time as well as more detailed regulations and instructions issued by the relevant authorities. Requesting such information is necessary to carry out a suitability test for the client because OP Asset Management can recommend financial instruments and services suitable for the client only on the basis of this information.

Classes of financial instruments subject to investment advice are described in Appendix 3, which provides information on the characteristics of financial instruments and related risks.

Investment advice provided by OP Asset Management is non-independent by nature because the subjects of investment advice are mainly financial instruments issued by OP Asset Management or companies closely related to OP Asset Management, such as funds managed by OP Fund Management Company Ltd or structured products issued by OP Corporate Bank plc. The range of funds managed by OP Asset Management includes not only mutual funds managed by OP Fund Management Company Ltd but also several international partners' funds meeting the needs of both institutional and wealth management clients. Investment advice also includes the provision of personal recommendations concerning insurance products of OP Life Assurance Company provided by OP Asset Management.

OP Asset Management aims to include in its product range covered by investment advice a sufficient number of products that take account of matters related to the environment, society and employees, respect for human rights, and anti-corruption and anti-bribery matters – in other words, sustainability factors which correspond to any sustainability preferences defined by the client. OP Asset

Management's investment-advice product range includes products for which a) a certain proportion will be invested in environmentally sustainable investments as defined in the EU Taxonomy, b) a certain proportion will be invested in sustainable investments as defined in the EU Disclosure Regulation, and/or c) financial instruments that consider principal adverse impacts on sustainability factors.

For more information on financial instruments available for Individual Unit-linked Insurance and Individual Capital Redemption Contract, contact OP Asset Management. For more information on financial instruments available for unit-linked insurance, go to op.fi/investment-prices. The periodic reports of the investment options that promote environmental or social characteristics or investment options that have sustainable investments as their objective (EU 2019/2088, articles 8 ja 9) are available at https://www.op.fi/private-customers/savings-and-investments/funds/ops-fund-publications, under Annual reports of funds, and on the websites of other fund management companies.

For a more detailed description of the consideration of sustainability risks in investment and insurance advice, see Appendix 4.

# 3 Conflict-of-interest Policy applicable to OP Asset Management's investment and ancillary services

In its investment and ancillary services, OP Asset Management complies with the Conflict-of-interest Policy, see Appendix 1.

# 4 Order execution policy

OP Asset Management complies with the Best Execution Policy, see Appendix 2.

# 5 Information on the custody of client assets

## 5.1 Fund units

The units of mutual funds managed by OP Fund Management Company Ltd are kept in the fund unit register maintained by OP Fund Management Company Ltd. The assets of mutual funds are kept separate from those of the fund management company and may not be used to cover the fund management company's liabilities. Each fund's assets are kept separate from the assets of other funds, the fund management company and the custodian.

The custody of foreign mutual fund units differs from that of domestic mutual fund units. Clients' holdings in the mutual funds of OP Asset Management's foreign partners can be kept in custody in the register maintained by the fund concerned, a fund management company or another party maintaining ownership information in the country in which the mutual fund in question is registered. Mutual fund units are kept in custody either in an omnibus account in the name of OP Asset Management or in the name of an external custodian for the account of OP Asset Management clients (nominee registration). The client's holdings in foreign mutual funds have been entered as the client's assets in the books of OP Asset Management's foreign mutual fund custody. Foreign mutual fund units may involve political, economic, legal, tax-related and other unforeseeable risks which will be borne solely by the client.

## 5.2 Other financial instruments

Whenever OP Asset Management has agreed with its client on investments in financial instruments other than mutual funds, it will, if necessary, open custody service for the financial instruments of the client in the client's own name and on the client's behalf, based on the client's authorisation, in OP Custody Ltd or another OP Financial Group service provider (collectively OP) and an account with an OP Financial Group credit institution, unless otherwise agreed with the client. Custody is subject to a separate agreement on custody of securities. In addition, the client agrees to comply with the terms and conditions related to clearing and settlement.

OP may keep financial instruments in custody in the possession of a third party, in which case the client's financial instruments are separate from those of OP and the custodian. OP's responsibility is specified in the terms and conditions of a separate agreement governing the custody of securities. The terms and conditions of the custody service agreement and any possible separate agreement for client assets define rights of collateral and setoff covering the financial instruments of OP's client and cash assets.

Whenever OP Asset Management has agreed with the client on investments in exchange-traded derivatives (ETD), OP Asset Management will, when necessary, open in the name and for the account of the client a custody account for such ETDs, as authorised by the client, with a partner custodian selected by OP Asset Management.

### 5.2.1 Domestic financial instruments

Domestic financial instruments in book-entry form are kept in the client's name in holder-specific book-entry accounts.

### 5.2.2 Foreign financial instruments

The client's foreign financial instruments may be kept in an omnibus account, in other words, several clients' securities and/or securities of OP Financial Group or a sub-custodian selected by OP Financial Group, with respect to some foreign securities in particular, are kept in the same account. When securities are kept in an omnibus account, the client's right to the assets in the account can be a quantity-based right to securities of the same type or class kept in the omnibus account or to rights, or to other right of joint ownership based usually on foreign legislation. This may be of significance when, for example, determining shares in the distribution of net assets subsequent to corporate actions and when separating the assets of a company in a state of bankruptcy or other default, as well as in connection with, for example, any error situations related to clearing and settlement or as a result of exceptional market practices.

Rather than being registered in the client's name, foreign financial instruments are usually registered in the client asset accounts of OP or a sub-custodian. If this is not feasible in a market, due to legislation or market practice, financial instruments are registered in the name of OP or the sub-custodian. In such a case, in the event of any potential bankruptcy or other insolvency the client's securities are not necessarily separable from the assets of OP or the sub-custodian it has selected.

The client's foreign securities are generally kept in accounts managed by a domestic or foreign sub-custodian selected by OP Asset Management, which are governed by local legislation. Therefore, the client's rights related to said securities may differ from those related to domestic subsidiaries with respect to matters such as clearing and settlement, account entries, investor protection and other legislation. With respect to foreign securities, OP Asset Management keeps securities accounts for each client. A securities account refers to sub-accounting maintained by OP Asset Management for how ownership of securities managed by the sub-custodian is divided among the bank's clients.

The custodian of foreign financial instruments or cash assets may hold the right of collateral or setoff to said instruments or cash assets. In such a case, the right of collateral or setoff involves all financial instruments or cash assets in the account. With respect to financial instruments kept in an omnibus account, the client's financial instruments may be subject to rights of collateral or setoff on the basis of obligations other than those of the client only.

OP Financial Group entities keeping client assets in custody have a designated person in charge of compliance with obligations related to the custody of client assets.

# 6 Financial instruments and associated risks

The characteristics of financial instruments and the risks associated with them are described in Appendix 3.Appendix 4 includes a more detailed description of the consideration of sustainability risks in investment and insurance advice.

# 7 Recording of telephone conversations, discussions and electronic communication

To document orders, OP Asset Management is obliged to record telephone conversations with the client and record other conversations and to store electronic communication. Recordings will be used to verify orders, identify any possible fraud, develop customer service, manage risks and settle any possible disputes. Such recordings shall be handed over to competent authorities at their request and OP Asset Management will store the recordings for at least five years.

The client has a right to request a copy of any such recordings.

# 8 Investors' Compensation Fund

The Investors' Compensation Fund will safeguard retail investors' undisputed claims due for payment if an investment firm is unable to pay investor claims within the stipulated time, due to a reason other than temporary insolvency. This compensation payable to the investor accounts for 90 per cent of their claim, but no more than 20,000 euros. Since the Fund does not cover losses incurred due to a fall in share prices or incorrect investment decisions, the client is responsible for the consequences of their investment decisions. Nor are mutual fund operations covered by the protection provided by the Investors' Compensation Fund.

# OP Financial Group's conflict-of-interest policy applicable to investment and ancillary services

Valid as of 2 April 2024.

OP Financial Group has confirmed principles with which credit institutions and investment firms providing investment or ancillary services or producing investment products comply in their operations to identify, avoid and manage conflicts of interest. A conflict of interest arises if, for example, a provider, developer or distributor of investment or ancillary services, OP Financial Group's personnel or a client or a group of clients may have an interest that deviates from the client's best interests related to the service offered, investment activities, investment product or a combination of these, including the client's sustainability preferences.

## Identifying conflicts of interest

OP Financial Group is a large financial services group which provides banking, investment and insurance services and whose credit institutions and investment firms have several roles in capital markets operations. Credit institutions and investment firms may, for example, trade in securities on their own account or on behalf of their clients, issue financial instruments in their own names and grant investment-service-related loans and other financing to clients. The simultaneous performance of various functions may mean that the client's interests are not always consistent with those of the credit institution or of the investment firm providing investment services, its personnel or its other clients.

A conflict of interest may be involved, for example, if:

a) An OP Financial Group executive or employee or a person directly or indirectly linked to an OP Financial Group entity by control may obtain undue financial gain or avoid a financial loss at the client's expense;

b) OP Financial Group's entity, function or the person mentioned in section a) above has an interest differing from the client's interests relating to the service provided to the client or the result of the transaction executed on the client's behalf;

c) OP Financial Group's entity, function or the person mentioned in section a) above has a financial or other interest to favour the interests of another client or a group of clients instead of the client's interests;

d) OP Financial Group's entity or person mentioned in section a) above is engaged in the same business as the client;

e) OP Financial Group's entity or the person mentioned in section a) above receives a monetary or non-monetary inducement from a party other than the client related to the offered service, which is not a fee or payment usually charged for the service concerned;

f) the same person is in a position to make key decisions in different Group entities that have a formal conflict of interest;

g) personal benefits received by a Group entity's governing body members, executives or employees or their personal relationships/links may affect business decisions or other resolutions; or

h) there is a conflict of interest between persons within an OP Financial Group entity, its executives, employees or governing body members.

## Avoiding and managing conflicts of interest

OP Financial Group has taken all appropriate measures to determine any conflicts of interest related to the services it provides, including investment services, ancillary services or a combination of these, which may harm the client's best interests, including the client's sustainability preferences, and to manage and prevent any conflicts of interest identified. When following these principles, OP Financial

Group can ensure that various functions can simultaneously engage in activities related to the provision of various investment services.

In its operations, OP Financial Group always primarily aims at avoiding conflicts of interest. If any conflicts of interest occur, the procedures based on the conflicts-of-interest guidelines shall apply.

The starting point is that, in providing investment or ancillary services, OP Financial Group treats its clients equally and acts in compliance with good practice, without favouring the client at another client's expense. OP Financial Group entities must – in all situations, including conflict-of-interest situations – act in the interests of the client, provide products and services independently and objectively and keep client details confidential.

OP Financial Group aims to prevent any potential conflicts of interest from arising and to manage them, for example, by providing a set of internal instructions and training opportunities, using stand-alone information systems, restricting user authorisations, separating premises from one another and complying with confidentiality rules within the organisation also. In addition, the Group has taken preventive measures in such a way that it has organisationally separated functions that may face a conflict of interest and has restricted their exchange of information.

For the purpose of preventing and controlling conflicts of interest, OP Financial Group has adopted guidelines regulating transactions applying to the Group's relevant persons and persons with whom they have a family relationship or close links. Related measures vary depending on the business or service in question. In addition, OP Financial Group's guidelines include practices on how to act in situations where the management of business relationship involves offering or accepting gifts. OP Financial Group employees must also receive their employer's approval for the membership of a governing body of entities outside of OP Financial Group. OP Financial Group builds its remuneration schemes in such a way that they do not encourage executives and employees to act contrary to the client's bests interests.

## Identifying and reporting conflicts of interest

OP Financial Group also regularly supervises compliance with the policies and principles referred to above. If an OP Financial Group executive or employee identifies any possible conflict of interest, such a situation will be recorded based on separate guidelines and reported to the entity's management.

If an OP Financial Group entity through the abovementioned policies cannot reasonably reliably ensure that risks associated with the client's interests are avoided, the entity must provide the client with a detailed description of conflicts of interest caused by the provision of an investment or ancillary service, as well as sufficient information on the nature and reasons of such a conflict of interest and the risks to which the client is subject and measures taken to mitigate these risks. Such information must be provided before the execution of a transaction on the client's account, so that the client can independently consider whether they want the transaction to be executed despite the described conflict of interest. In such a case, it is also possible that the transaction will not be executed, in order to avoid the conflict of interest. The notification to the client shall be delivered using a separate form.

OP Financial Group reviews at least once a year these principles governing conflicts of interest and updates them whenever needed. At the client's request, the client's advisor provides more information on OP Financial Group's general conflicts of interest policy applicable to OP Financial Group entities or the principles governing conflicts of interest applicable to the business unit that serves the client.

## Inducements at OP Financial Group

An OP Financial Group credit institution or investment firm may, in connection with the provision of an investment or ancillary service, pay a fee or commission to a third party, or receive a fee or commission from a third party. In this respect, OP Financial Group sees different Group members as third parties to each other, such as OP cooperative banks and OP Cooperative's subsidiaries. Such fees and commissions are inducements by nature in case they are not ordinary payments related to the provision of the service, such as those related to trading, custody, clearing and settlement or charges based on legislation.

Items regarded as an inducement are based on the position of the payment recipient in the provision of customer service, ancillary services or higher-level services to the client. OP Financial Group uses only inducements that comply with good practice, with the aim of improving the quality of the service provided to the client.

For example, a company managing international mutual funds or units in UCITS, or its representative, for which OP Asset Management acts as subscription intermediary, may pay a fee to OP Asset Management for the intermediation. The amount of such fees can be based on fund subscriptions, redemptions or the existing fund portfolio.

OP Fund Management Company Ltd may pay fees to the OP Financial Group branch or company acting as a subscription or redemption place for mutual funds managed by OP Fund Management Company Ltd, based on sales recorded by mutual funds and on client relationship management. The fees are based on fees charged for mutual fund subscriptions, redemptions or management. Commissions based on management are ongoing inducements.

An issue manager and/or issuer may pay a fee to OP Financial Group’s member banks for serving as sale and subscription places for share issues and bonds. The fee may be subscription-specific or be based on the total number transmitted.

OP Corporate Bank plc may pay to OP Financial Group’s member banks a fee related to share issues and the sale and issue of structured products.

OP Life Assurance Company Ltd may pay to OP Financial Group’s branch acting as its agent, such as OP Asset Management, a fee or commission related to the provision of insurance products.

OP Asset Management can pay inducements to OP cooperative banks on the basis of investment management services sold, mutual funds transmitted or client relationships managed.

Those receiving the fees, such as OP Asset Management, use the fees to produce or purchase matters, ancillary services and higher-level services related to client relationships in various service channels by, for example, providing and commissioning reporting, online services, branch and telephone services as well as other services for clients.

However, inducements such as those described above are not used in discretionary investment management. If inducements were paid to OP Asset Management relating to discretionary investment management, these will be then passed onto the client in full.

Fees and commissions paid or received in OP Financial Group are inducements permitted by regulation. The client or potential client will receive information on the nature and determination bases of a fee, commission or other benefit classified as an inducement well in advance before the provision of an investment or ancillary service. The purpose of such fees, commissions and other benefits is to improve the quality of the service offered to the client by, for example, enabling value-added services provided to the client or improving service quality by means of support related to expertise and product knowledge. Furthermore, the paid and received commissions and fees are not contrary to the client’s best interests or to OP Financial Group’s obligations to act honestly, fairly and professionally in the best interests of the client.

More information on product- and service-specific inducements and their determination bases is available from brochures related to each product or service. Additionally, OP Financial Group will report to the client the amount of paid benefits, fees and other payments related to their investment services.

# OP Asset Management's Best Execution Policy

Valid as of 23 January 2024

## 1 Purpose of the Policy

This Best Execution Policy describes measures taken by OP Asset Management Ltd ("OP Asset Management") to execute or transmit clients' orders related to financial instruments, including orders related to the investment management service, to obtain the best possible result as required in the Markets in Financial Instruments Directive 2014/65/EU, the Act on Investment Services (747/2012) implementing the Directive in Finland, and the respective Delegated Act 2017/565 (collectively referred to as "MiFID II").

Financial instruments falling within the scope of this Policy are listed in the appendices available at the end of this Policy.

## 2 Scope of application

This Policy applies to clients categorised as retail or professional clients. This Policy does not apply to clients categorised as eligible counterparties. In executing or transmitting clients' orders, OP Asset Management acts honestly, fairly and professionally.

## 3 Factors related to the execution of orders

### 3.1 Factors

When selecting the method of order execution, OP Asset Management takes account of the following factors:

(i) price available on the trading and execution venues to which OP Asset Management has access

(ii) costs arising from the order

(iii) speed of order execution

(iv) likelihood of order execution and delivery while taking account of market liquidity

(v) size and nature of the order

(vi) any other factors affecting the execution of the order.

### 3.2 Retail clients – total consideration

For retail clients, the best possible result is determined in terms of the total consideration. Total consideration is the price of the financial instrument and the costs related to execution, including all expenses incurred by the client which are directly related to the execution of the order such as execution venue fees, clearing and settlement fees, and any other fees paid to third parties involved in the execution of the order.

### 3.3 Professional clients – relative importance of factors related to order execution

When OP Asset Management considers the relative importance of factors affecting order execution with the purpose of making a decision on the execution method, it takes account of the following factors:

a) the characteristics of the client, including the client's categorisation as a retail or professional client;

b) the characteristics of the client's order and whether the order involves a securities financing transaction;

c) the characteristics of financial instruments that are the subject of the order;

d) the characteristics of the execution venues to which the order can be directed.

By default, OP Asset Management considers the price and total cost as the most important factors affecting execution in all classes of financial instruments. It seeks to obtain the best price by use of competitive tendering between several intermediaries or counterparties, but this is not possible with all financial instruments. In some cases, competitive tendering is not necessarily in the best interest of the client, considering factors such as the exceptional size of the order, poor liquidity and special market conditions.

Thus, we always make every effort to achieve the best price for our clients, taking account of the total cost, but especially in illiquid orders or large orders in view of the market size, we also aim to minimise the market impact of our transactions.

When executing trading decisions, we exercise adequate discretion, emphasise matters affecting the execution when executing the transaction, and any special terms or instructions issued by the client, and take account of the prevailing market situation, the type of order and the type of security.

The likelihood of transaction execution is affected by many factors, and we assess the order execution using a variety of criteria in view of the type of each financial instrument. We apply at least the following criteria: the trading venue (regulated or OTC), liquidity, size of the order, market impacts, client's special terms, total transaction cost and special features of the intermediary or counterparty.

A summary table of key factors affecting order execution is available at the end of this document.

# 4 Client instructions

If the client gives instructions related to the order or part of it, the order is executed by following the client's instructions as accurately as possible. Any specific instructions from a client in respect of the elements covered by those instructions may prevent OP Asset Management from taking the steps that it has designed and implemented in its execution policy to obtain the best possible result for the client for the execution of those orders.

If the client's instructions apply only to a specific part of the order, OP Asset Management seeks to ensure that the order is executed in other respects in accordance with this Best Execution Policy to obtain the best possible result for the client.

# 5 Order execution

When executing the client's order, OP Asset Management selects an execution venue that, in OP Asset Management's view, provides the best possible result for the client. If OP Asset Management transmits the order to a third party for execution, OP Asset Management will select an intermediary that, in OP Asset Management's view, provides the best possible execution result for the client.

The order or parts of it may be executed, for example, directly against a party or against the order of another client, if OP Asset Management or an intermediary used by it considers this to be for the benefit of the client. Execution of an order outside an execution venue requires that the client has given OP Asset Management their express consent for it.

However, when executing orders outside execution venues, OP Asset Management neither acts as the client's counterparty nor deals on its own account.

OP Asset Management and intermediaries used by it may execute orders by aggregating clients' buy and sell orders. OP Asset Management or an intermediary used by it may also aggregate orders outside trading venues if the client has given their express consent to it, or by executing the order in accordance with the rules of the trading venue.

OP Asset Management executes orders quickly, fairly and efficiently.

# 6 Selection of the execution venue

Execution venues include regulated markets, multilateral trading facilities (MTF), systematic internalisers, market makers and liquidity providers. When OP Asset Management decides to execute the client's order at an execution venue, OP Asset Management selects a venue that, in its view, provides the best opportunities to guarantee the best execution.

Orders can also be executed by using an intermediary instead of a trading venue. Intermediary refers to another investment service provider that receives an order from OP Asset Management and decides on its method of execution, or the selected intermediary takes account of OP Asset Management's special instructions for the order. When OP Asset Management decides to execute the client's order by using an intermediary, OP Asset Management selects an intermediary that, in its view, provides the best possible execution for our end client.

For a list of the top execution venues and intermediaries, visit https://www.op.fi/private-customers/savings-and-investments/best-execution. On the same page, you will find information on the top execution venues and intermediaries used by OP Asset Management by class of financial instruments for executing client orders.

# 7 Aggregation of orders and trades, and action in exceptional circumstances

An order or trade may be executed in parts using one or several trading venues or methods. The order or trade may be aggregated either with orders received from other clients, trading interests or with OP Financial Group's own transactions. Such aggregation may take place only if OP Asset Management believes that it is unlikely that the aggregation as a whole would harm the client, and if the equal treatment of clients requires the aggregation of orders. In aggregated trades, OP Asset Management uses the so-called pro rata method, which means that, in partially executed orders, individual trades are allocated between clients in the best possible way, proportionate to the relative size of the order. In allocating trades, OP Asset Management uses a notional average price if the order is executed in several batches during, for example, one day. This means that aggregation may in some cases be disadvantageous to an individual order or the client's best interests.

In exceptional situations, such as in connection with disturbances with trading venues or trading systems, it may be possible to deviate from the principles mentioned in this Policy, if deemed necessary.

# 8 Monitoring the implementation of the best execution

OP Financial Group assesses and monitors the suitability of its Best Execution Policy on a regular basis. Such monitoring is aimed at improving and enhancing the execution arrangements. This includes the assessment of the trading venues, intermediaries and other counterparties used, in order to achieve the best possible execution of orders for the client.

Furthermore, how markets develop and where trading in various financial instruments takes place at any given time is continually monitored. Trading takes place only on those trading venues and with those OTC counterparties through which the best price is attainable, taking account of the size of the order and the characteristics of the financial instruments. If trading is executed over the counter in such a way that the transaction is between the client and an OP Financial Group entity, the entity regularly monitors that transactions with clients are executed at a justified price reflecting the market situation. The trading procedures applied and the quality of order execution are assessed on a regular basis.

The method of assessing the quality of order execution depends on the characteristics of the financial instrument and on where the financial instrument is traded. Orders executed on different trading venues are compared with other transactions executed on different trading venues at any given time. Transactions executed with OTC counterparties are compared with other data on OTC transactions obtained from the market, if such data is available. The methods of assessing the quality of the Best

Execution Policy are also subject to regular monitoring, as part of OP Financial Group's internal control.

## 9 Reporting

OP Asset Management annually publishes information of the top five execution venues in terms of trading volume, and the top five brokers used, by class of financial instruments and for retail and professional clients, at https://www.op.fi/private-customers/savings-and-investments/best-execution.

As part of that report, OP Asset Management publishes, by class of financial instruments, a summary of analyses and conclusions made based on the monitoring of the execution quality of execution venues for all client orders executed during the previous year.

## 10 Changes to the Best Execution Policy

Any changes to the Best Execution Policy will be published on OP's website at https://www.op.fi/private-customers/savings-and-investments/best-execution. OP Asset Management will inform all clients with whom it has an existing client relationship about any major changes to the order execution arrangements or this Best Execution Policy.

Appendix 1. For a summary by class of financial instruments, the top execution venues and brokers, visit https://www.op.fi/private-customers/savings-and-investments/best-execution.

# Information on financial instruments and associated risks

Valid as of 2 April 2024.

Below is a general description of financial instruments within investment service and material risks inherent to them, as required by regulation governing investment services. This description is not exhaustive in any respects and does not reveal all potential risks associated with the financial instruments depicted below. Each investor must always assess whether a financial instrument suits their needs and requirements. The investor must carefully read the terms and conditions and study the characteristics of the financial instrument concerned and the resulting obligations before making an investment decision, in order to be aware of risks associated with financial instruments and of any potential effects on the investor's financial standing. Investors must also deliberate carefully about the suitability of the financial instrument for the intended purpose, including in changing circumstances. Investors should be aware that if the rate of inflation is higher than the rate of return, the real return may be negative even if the nominal return is positive. The investor should also take into account that some financial instruments cannot be used as collateral, due to their pledge limits.

In addition, investors should note that resolution authorities may, due to resolution procedures that may commence because of financial difficulties faced by a credit institution, also intervene in the rights of the credit institution's bond holders and other creditors as well as shareholders by, for example, depreciating the bond or reclassifying it as financial instruments included in the capital base, or by invalidating shares.

## Equities

A share, or an equity, is an equity instrument issued by a limited liability company. The value of a share is based on the view prevailing at any particular time of the value of the limited liability company that issued the share. Investing in equities also gives entitlement to dividends paid by the company, which is why expected future cash flows affect the market value on the review date.

Equities may be traded in a regulated market (on a stock exchange or an equivalent trading venue) or on a multilateral trading facility. These listed equities are typically highly liquid and selling them is possible within a quite short notice in an extreme market environment as well. Furthermore, equities may be traded outside a regulated market and multilateral trading facilities, in which case the liquidity of the investment is weak, and the investment cannot typically be sold in an extreme market environment. The investment horizon should therefore be long, sustaining market cycles.

Equity investment risks involve a risk associated with fluctuations in share prices (market risk) and that associated with the extent of trading (liquidity). General market developments and knowledge of factors contributing to the issuer's corporate performance affect changes in share prices. Equity investments involve the risk of losing all the capital invested if the issuer goes bankrupt. By and large, the issuer's industry, legislative amendments, the number of shares issued and the breakdown of shareholders also affect the risk involved. Moreover, changes in foreign exchange rates have an effect on the value of shares denominated in a foreign currency. Equity investment in emerging markets can be regarded as riskier because these economies are characterised by a less established market environment and legislation, political risks and drastic exchange-rate fluctuations, counterparty risks and lower equity market liquidity. The valuation fluctuation of an individual equity investment differs very much.

Subscription rights and stock options, which entitle their holders to subscribing for shares of the company that has issued them, are also comparable to shares. The price of a subscription right or stock option depends not only on the performance of the issuer's share price but also the stock-option exercise price, share volatility, interest rates and the stock option's residual maturity. The volatility of subscription rights and stock options is higher than that of the underlying share, due to lower committed capital (leverage).

## Money market instruments

Money market instruments include government debt securities, certificates of deposit, commercial papers, local authority papers and Euro Commercial Papers (ECPs).

Short-term money market investments principally include so-called zero-interest notes (discount papers) to whose holders the issuer pays the note's par value on the maturity date stated on the note. Their maturity typically varies between 1 and 12 months. The issuer's credit risk is substantially linked with such an investment.

Income from zero-interest money market investment stems from the difference between the purchase price and par value (or resale price). The purchase price and resale price are derived by discounting the par value at the interest rate quoted for the period in question from the value date until the date of maturity. Whenever necessary, this contract can be sold on the secondary market. Repurchase is carried out at the market price quoted at the time of purchase.

Risks associated with money market instruments, as with other fixed income instruments, can be divided into two categories: risk resulting from interest-rate fluctuations and the instrument's maturity (interest rate risk) and risk associated with the issuer's/depository's solvency (credit risk). Credit risk plays a pronounced role with fixed income instruments characterised by the issuer's low credit rating. Money market instruments with good credit quality are instruments that are easy to sell in all market environments.

## Notes and bonds

Notes and bonds are instruments representing future cash flows, their value being determined by calculating the present value of cash flows they are expected to generate. All of the fixed-rate bond's/note's cash flows are known whereas the floating-rate bond's/note's cash flows depend on changes in the interest rate. Cash flows consist of coupon interest and principal repayment. In such cases, the bond's/note's value is determined by the required return in the market, or the discount rate.

Bond/note issuers include governments, municipalities, companies, insurance companies and financial institutions. The bases for income determination for bonds/notes to be issued are defined in the terms and conditions of each individual bond/note. The issue price and any subscription fee charged may also have an effect on the income.

Interest rate risk and credit risk are usually associated with bonds/notes. Interest rate risk results from fluctuating interest rates, in other words, an increase in the interest rate decreases a bond's/note's resale value on the secondary market whereas a fall increases the value. Bonds/notes also involve credit risk, in other words, the risk of the issuer failing to repay interest and principal in accordance with the terms and conditions of the bond/note. Clearing and settlement risk refers to the risk of a loss arising between the parties in connection with payments and deliveries, if the counterparty fails to fulfil its obligations. It is possible that no continuous daily secondary market is created for the bond/note during its term to maturity. If the investor wishes to sell their instrument before the bond's/note's maturity date, the bond's/note's market price on the selling date may be lower or higher than capital invested. In the manner stated in the bond's/note's terms and conditions, the investor or issuer may have the right to demand early repayment of the bond/note. Foreign bonds/notes may involve currency risks. The longer the maturity term of the bond and the lower the issuer's credit rating, the more sensitive to changes in market conditions the secondary market value is.

An index-linked bond/note or another structured bond/note is a bond/note in which payment of income is typically tied, in part or in full, to the value performance of a pre-determined underlying asset. A structured bond/note may involve the issuer's commitment to repay to the investor on the maturity date at least the bond's/note's par value, or a specified share of the par value. This commitment with the issuer's credit risk involved is valid in full only on the date of maturity. The commitment does not cover any premium or subscription fee paid for the bond/note. It is also possible that the issuer does not make the aforementioned commitment. The risk of the underlying asset's value performance is also associated with structured bonds/notes. If the investor sells the bond/note before its maturity, they may reap a capital gain or may incur a capital loss.

The interest rate and a change in the underlying asset's market value affect the market value of index-linked bonds or other structured bonds/notes. Underlying assets may be a share (including a basket of shares, share index or a basket formed by these), a commodity, exchange rate (including a basket, index or an index basket), interest rate or interest rate difference, inflation rate (including the consumer price index), credit risk or a combination of these. The underlying asset's value may increase or decrease during the bond's/note's term. The value fluctuations of the underlying asset affect the bond's/note's market value, through a multiplier or restrictions that are determined in the terms and conditions. Considering that index-linked and structured bonds exist in large numbers, with differing terms and conditions, they differ significantly in terms of risk levels.

Debenture loans are bonds subordinated to the issuer's other commitments in the event of the issuer's bankruptcy. Because of the higher risk involved and the lower liquidity, debenture loans generally earn higher interest than other bonds/notes. These bond volatilities are typically markedly higher than the risk levels of senior bonds. The value fluctuation of riskier debenture loans is closer to the fluctuation of the return on equities than bonds/notes.

Convertible bonds are bonds whose holder has the right to convert them into shares of stock in the issuing company, at a pre-agreed ratio. The coupon rate is usually lower than the issuer's credit spread prevailing on the market.

Bonds with equity warrants represent debt securities that incorporate warrants which provide their holders with the option to purchase the issuer's shares, at a fixed contract price and during a predetermined period. Warrants may be traded separately from the debt security in the secondary market. As is the way with convertible bonds, bonds with equity warrants carry a lower coupon rate than regular bonds/notes, because some of this rate has been used to buy the bond. The risk levels of convertible bonds and bonds with equity warrants are typically higher than those of a diversified bond portfolio.

## Derivative contracts

Derivative contracts come in the form of options, forwards, futures, swaps, their combinations and/or other similar contracts, and are standardised or non-standardised (OTC derivatives). A derivative contract refers to a contract whose value may depend on changes in the underlying asset's value, market price movements (volatility), interest-rate fluctuations, the contract's maturity or another factor affecting the derivative's value. Its underlying assets can be e.g. equities, exchange rates, interest rates, commodities, credit risks, indices or an indicator of the underlying asset's price performance. The validity of derivative contracts varies from a very short term to several years. Market risk caused by changes in the value of the underlying instrument is associated with derivative contracts. The contracting parties are obliged to settle the cash flows arising from the contract, irrespective of the market situation.

The most common derivative contracts and factors affecting their market value:

## Interest rate swaps

Considering that the market value of interest rate swaps is the present value of expected interest flows in the contract, its value is affected by the shape of the underlying yield curve. The market quotations of interest rate swaps are determined by interbank markets, reflecting future interest rate expectations. The sensitivity of the interest rate swap's market value to interest rate changes is greater the higher the capital and the longer the contract period. A decrease/increase in interest rate expectations decreases/increases the contract's value for the fixed rate payer, and vice versa.

## Interest rate options (interest rate corridor, swaption, interest rate cap and floor)

Factors affecting the premium paid for the option and thereby the option's market value include interest rate expectations in the market, the contract period, market interest rate volatility and the exercise levels set for options. The higher the interest rate volatility, the higher the price of options, because high volatility increases the contract's probability of attaining its value during the contract period. The longer the remaining contract period, the higher the time value of the contract. The contract's time value falls over time and is zero at maturity.

The option buyer's biggest possible loss, which results from market risk, equals the premium paid. Option writers have unlimited risk because they are obliged to pay all cash flows arising from the contract regardless of the market situation.

## Forward exchange contracts

The price of a forward exchange contract is determined by the spot rate of the underlying asset plus the return on the interest rate differential between currencies during the contract validity. Consequently, factors affecting a forward exchange contract's market value include the contract validity period, the extent of exchange rate fluctuations and the interest rate differential of currencies. The market quotations of forward exchange contracts are determined by interbank markets, reflecting future interest rate expectations. The larger the capital sum involved, the higher the sensitivity of the forward exchange contract's market value is. In addition, the validity period affects the sensitivity of the interest rate differential between currencies. A weaker/stronger spot rate decreases/increases the contract's value for the buyer, and vice versa. A fall/rise in the interest rate differential between currencies decreases/increases the contract's value for the buyer of the forward exchange contract and vice versa.

## Currency options (call option, put option, knock-in, knock-out, reverse knock-in, reverse knock-out, digital option)

The holder of a currency option (buyer) has the right, at an agreed time, to buy from or sell to the writer of the currency option (seller) an agreed amount of currency of the underlying instrument, at a price specified in the contract. The buyer pays the seller a premium for this right.

The currency option contract's premium, or market value, comprises the option's time value (option price less intrinsic value) and the option intrinsic value (difference between the exchange rate at the time of review, or spot price, and the strike price). Factors affecting the price paid for the option and thereby the option market value include the spot price of the underlying exchange rate, the volatility of the underlying exchange rate, the contract period, interest rate differential between currencies and the strike price set for the option.

The higher the currency volatility, the higher the price of options, because high volatility increases the contract's probability of attaining its worth during the contract period. A stronger exchange rate, or a spot rate, increases (decreases) the price of a call option (put option) and vice versa. A rise in the interest rate differential between currencies increases (decreases) the price of a call option (put option) and vice versa. The longer the remaining contract period, the higher the time value of the contract. The contract's time value falls over time and is zero at maturity.

The option buyer's biggest possible loss, which results from market risk, equals the premium paid. Option writers have unlimited risk because they are obliged to pay all cash flows arising from the contract regardless of the market situation.

Derivative contracts may come in the form of various combinations.

A derivative contract may contain terms and conditions involving an extremely large profit/loss potential. Under certain derivative strategies the risk of loss may be unlimited.

In addition to the underlying asset's change in value (market risk), legislative amendments and the risk of delayed payment due to the counterparty's default and credit risk may affect the value of derivative contracts and the amount, timing and implementation of the contracting parties' payment obligations.

If the derivative contract is cancelled during the contract period, the client will be refunded or charged according to the market value of the contract. A significant change in the contract's market value may cause considerable losses to the client if the contract is cancelled early.

The break clause applicable to long-term contracts also gives the bank the right to end the contract early on pre-agreed dates. The bank may have to exercise its right to cancel the contract under the provisions of the break clause, for example, for the following reasons: changes in capital requirements regulation applying to banks, in derivative markets or a client's credit risk. If the bank exercises the right allowed by the break clause and the contract's market value has undergone significant changes, the client may be affected by significant early cash flow effects.

The derivative contract's return is also affected by other factors that may have been stated in the contract terms and conditions and costs related to lodging any collateral that may be required.

Depending on the type of derivative contract, clients may be saddled with financial commitments or obligations other than the acquisition cost and the acquisition may involve a collateral requirement or other obligations. Since the derivative contract's value may undergo rapid and drastic changes, supplementary collateral may be required to cover a collateral shortfall. It is also possible that the collateral needs to be realised. Moreover, changes in exchange rates have an effect on the value of derivatives denominated in a foreign currency.

## Warrants

Warrants are securitised derivatives which always have a limited validity period (also called term to maturity) and which are traded as equities in a regulated market (on a stock exchange or an equivalent trading facility). The most common warrant types are call warrants and put warrants. A call warrant gives the right to buy an underlying commodity at a price agreed in the warrant terms and conditions on the expiry date (or on or before the expiry date for American warrants). If the price of the underlying asset does not at that time exceed the agreed price, the warrant expires worthless. The put warrant gives the right to sell an underlying asset at an agreed price. If the price of the underlying asset is above the agreed price, the put warrant expires worthless. Underlying assets are usually equities or indices, but they can also come in the form, for example, of any commodity or foreign currency.

The warrant's exercise price determines the price at which the investor has the right to buy (call warrant) or sell (put warrant) the underlying asset. The conversion ratio is the number of warrants needed to buy or sell the underlying asset. The warrant's value is the difference between the exercise price and the value of equities, less costs, if any. The remaining value is divided by the number of warrants needed to buy the equities. If the warrant has value on its exercise date, the investor will receive the equivalent amount either in cash (net value payment) or book entry securities (physical delivery). The most common practice is that the writer of the warrant (issuer) pays the net value in cash. Plain vanilla warrants come in two types: European warrants and American warrants. European warrants can be exercised only on the expiry date whereas American warrants can be exercised at any time prior to or on the stated expiry date. European warrants dominate the warrant market.

The value of warrants is formed in a similar way as that of options; this is very complicated and complex. The value of warrants is affected, for instance, by the implicit (expected) volatility of the underlying asset, the price of the underlying asset, the market interest rate and term to maturity. The warrant's term to maturity is determined at the time of issue. The longer the term to maturity, the higher the value of both call and put warrants. The value of all warrants decreases slightly every day, in other words the value decreases slightly even if all other variable factors affecting the price remained unchanged. The biggest factor affecting the value of the warrant is the implicit volatility of the underlying asset. Higher volatility increases the warrant price while lower volatility decreases the price.

Turbo warrants differ from plain vanillas in the following respects: i) they have a higher gearing relative to the underlying asset, ii) their price determination differs from plain vanilla warrants (e.g. no need to take account of the implicit volatility), iii) they have a pre-determined knock-out barrier and reaching the barrier terminates the turbo warrant early. The higher gearing and the pre-determined knock-out barrier mean that risks associated with turbo warrants are higher than those associated with plain vanilla warrants.

The value of turbo warrants is based on the difference between the exercise price and the underlying asset (mostly an equity). Since the value of turbo warrants is determined solely on the basis of the real value, only the exercise price of turbo put warrants can be lower than a share price.

In turbo call warrants, it is the other way around. Since the stop-loss limit is higher than the exercise price, the turbo warrant would be worthless when the share price is lower than the exercise price. Choosing a higher exercise price for the turbo call warrant adds to gearing. The higher the exercise price, the lower the warrant's price is. Since a one-euro increase in the value of an underlying asset also increases the turbo warrant's value by one euro, the lower turbo warrant price means a higher return in percentage terms. The drawback is that the stop-loss level (knock-out barrier) is closer to the turbo warrant's price. This means a higher risk of reaching the limit and the value performance of the turbo warrant being interrupted.

The knock-out barrier seeks to reduce the risk resulting from the price movement of an underlying asset. When reaching the knock-out barrier level and the turbo warrant's expiry, the cash settlement amount will be specified. It the knock-out barrier equals the strike price or if the cash settlement amount equals or is lower than the strike price (call turbo) or if the cash settlement amount equals or is higher than the strike price (put turbo), the turbo warrant expires worthless.

The knock-out barrier can also be regarded as a risk, because even a very short-lived fluctuation in the underlying asset price may lead to reaching the knock-out barrier and consequently the early expiry of the turbo warrant. Turbo warrants, like regular warrants, may also expire worthless on their exercise date. The validity term of turbo warrants is shorter than that of regular warrants.

The warrant issuer's undertaking to make a market in warrants plays an essential role in warrant trading. The issuer may undertake to display both bid and ask prices for a warrant. Warrant prospectuses contain the market-making terms and conditions, these may vary considerably by issuer and warrant. The low market-making amount and level and the lack of market making in particular will affect the product's liquidity. The limited liquidity of warrants, especially in exceptional market conditions, may make it difficult to sell or buy warrants.

It is possible that warrants have no value on their expiry date, leading the investor to lose their investment altogether. Call warrants expire with no value if the underlying asset's value is lower than the warrant's exercise price on the expiry date, whereas put warrants expire with no value if the underlying asset's value is higher than the warrant's exercise price on the expiry date. Investors cannot, however, lose more than the capital they have invested.

Warrants involve market, credit and currency risks. Market risk pertains to the underlying asset's price performance and credit risk to the issuer's repayment capacity. If the underlying asset is quoted in a currency other than the euro, currency risk must be taken into consideration.

Before investors make their decision to invest in warrants, they must always carefully read the related prospectus and the terms and conditions and must familiarise themselves with the product's principles, details (such as the knock-out barrier) and associated risks. You can find prospectuses and other more detailed information on warrants on the issuers' websites.

## Funds

Investments in the financial instruments and their combinations described above can be made through funds, in addition to direct investments in these instruments. Funds are owned by their investors in direct proportion to the units they hold in the fund.

Fund management companies managing mutual funds or Alternative Investment Fund Managers managing alternative investment funds pool capital invested by private persons and institutions and invest this capital in a number of various investment options. The fund is comprised of the investment options and fund assets.

The mutual fund's risk level depends primarily on the fund's investment strategy. Detailed descriptions of the key risks for each fund are included in the fund prospectus and the Key Information Document. Diversifying investments among several instruments independent of one another reduces the fund's overall risk when compared to an individual instrument, as a benefit of diversification. The annual volatility of funds investing in listed equities typically varies between 12 and 16 percentage points. The volatility of funds investing in bonds with good credit quality varies between 2.5 and 5 percentage points and that of funds investing in bonds with poor credit quality between 6 and 14 percentage points. Moreover, changes in foreign exchange rates have an effect on the value of funds denominated in a foreign currency. Other key risks for investment funds include various market risks, liquidity risks, operational risks, counterparty risks and sustainability risks. Each risk is described in detail in the prospectus for the OP funds.

Funds also differ in their objectives; some aim to track an index passively (index funds) while others seek to produce returns superior to an appropriate benchmark index, based on active management (active funds).

The funds are divided into mutual funds (UCITS, Undertakings for Collective Investment in Transferable Securities) and Alternative Investment Funds (AIF). Mutual funds include equity funds, fixed income funds or balanced funds. Alternative funds include special common funds, private equity funds, real estate funds, hedge funds as well as ELTIF, EuSEF and EuVECA funds. Mutual funds and alternative funds are described in more detail below.

## Mutual funds

The operation of investment funds is strictly regulated in terms of asset diversification and investment options, for example. The mutual fund rules contain the objectives and restrictions set for investment. According to the chosen instrument, mutual funds can be classified as equity funds, balanced funds, long-term bond funds, medium-term bond funds and short-term bond funds. Mutual funds follow risk diversification principles in their investment policy.

According to the classification based on profit distribution, mutual funds are divided into accumulation funds in which profit increases the fund unit's value and funds which annually distribute dividends. The same fund may have both accumulation and income units. A mutual fund invests assets from the sale of fund units by following the investment strategy stated in its rules.

You can find the specific characteristics and risks of an individual mutual fund in the fund's Key Information Document. Before investing in a mutual fund, investors should study the contents of the Key Information Document, the fund rules, the list of charges and fees and the fund prospectus or a corresponding foreign document.

Fund management companies must redeem fund units from investors on demand, but the fund rules may contain restrictions with respect to the fund's liquidity in the event of exceptional market conditions due, for example, to the best interest of the fund's unitholders or because of the investment policy pursued by the fund.

Expenses such as management and custody fees, which vary depending on the mutual fund, are charged from the mutual fund's assets and are specified in the Key Information Document.

## Alternative Investment Funds

For alternative investment funds, diversifying factors and investment options may differ from the requirements for mutual funds and thus they may involve more risk than mutual funds. Due to the potential for higher risk, some alternative investment funds only accept certain types of investors, such as solely professional investors, for example.

Alternative investment funds can be open-ended or closed-ended funds. The difference between an open-ended and a closed-ended fund is that in an open fund the investor can freely decide when to invest or redeem, whereas in a closed fund the time for making investments is limited and an investment in the fund is usually made for a certain period of time. Redemptions of units in alternative investment funds may be restricted and typical restrictions are to limit redemptions to monthly or quarterly redemptions.

Alternative investment funds are not subject to the same restrictions on investment opportunities as traditional mutual funds. Alternative investment funds can therefore invest in options other than shares and interest, such as real estate, commodities, loans or other items in which mutual funds cannot invest.

The characteristics and risks of an individual alternative investment fund shall be disclosed in the alternative investment fund Key Information Document or alternative investment fund prospectus. Before investing in an alternative investment fund, investors should study the contents, the fund rules and the list of charges and fees in the Key Information Document, the fund prospectus or a corresponding foreign document.

Mutual funds and alternative investment funds can be divided into different fund types, according to the investment strategy:

**Bond funds** invest their assets in fixed-income instruments whose return expectations are based on return potential in bond markets. Underlying assets may include debt instruments issued by governments, other public-sector entities and companies. Short-term bond funds and long-term bond funds differ in the interest-rate risk involved in particular (see “Major Risks Associated with Mutual Funds” below). The former's interest-rate risk exposure is very low as a rule whereas the latter's is high or even very high in most cases. However, maturity terms may be several years in both fund categories although longer maturities are typical of long-term bond funds.

**Equity funds** invest their assets in equity markets and provide an alternative to direct equity investments.

**Balanced funds** invest their assets in both bond and equity markets, in other words, the investment manager may change the weight in the portfolio between equity and fixed-income instruments, depending on the market situation and within the framework of the fund's rules.

**The fund-of-funds** invests in other funds and is an alternative to investing in multiple different funds. When assessing the overall cost level of a fund, it should be noted that the costs of the fund may be composed not only of the fund's own costs but also of the fees of the underlying investee funds.

**Index funds** are passive mutual funds that invest their assets in an equity basket, in accordance with a benchmark index. An index fund does not take a view on individual equity selection, but buys equities in the same proportion as they are present in the index. The weightings of the index and the equities included are inspected a few times every year.

**Special common funds** are funds that may invest their assets extensively, in various products. Their investment operations are partly regulated, but the Act on Alternative Investment Fund Managers defines how the operations must be organised and what information they must provide to the relevant authorities and to investors. In Finland, alternative investment funds may be offered to retail investors if the fund manager is licensed and a key information document has been drawn up for the fund. The Finnish Financial Supervisory Authority does not confirm the rules of alternative investment funds. Examples of alternative investment funds include hedge, real estate, private equity, commodity or infrastructure funds.

A **private equity fund** is usually a closed-ended fund with an operating card specified in advance. The fund makes investments and withdraws from them within the fund term. Investors are accepted into the fund within a specific period only. Shares in a private equity fund can only be released during the fund term by selling them to another investor, and after the fund withdraws from its investments, it is liquidated. The investment options of a private equity fund are defined in its terms and conditions, but private equity funds most commonly invest in the shares of unlisted companies.

**An Exchange Traded Fund (ETF)** is a fund traded in a regulated market (on a stock exchange or an equivalent trading venue). ETFs can be used to trade in a regulated market in the same way as shares and the exchange rate of an ETF is determined by supply and demand.

There are various ETF structures which vary by issuer. An ETF may be a mutual fund or an alternative investment fund and, as with mutual funds and alternative investment funds, the investment strategy of ETFs may vary. ETF products are primarily passive index funds that follow a benchmark index.

Market, credit, currency and counterparty credit risks are associated with ETF products. The risk level of the products varies by investment strategy and by investment vehicle, in the same way as that of mutual funds. Market risks are associated with the price performance of the investment option and capital invested may fall or, in theory, it may be lost altogether. It is necessary to take account of currency risks with respect to the currency of the investment and the quotation currency. ETF products may also involve a risk associated with client asset custody, especially when the ETF invests its assets in emerging markets and sub-custody arrangements apply to securities in the target countries.

## ETC

Exchange Traded Commodities (ETCs) are securitised commodities traded in a regulated market (on an exchange or an equivalent trading facility) in the same way as equities and track the price performance of e.g. an underlying commodity or basket of commodities. If an ETC is based on commodity derivatives, the client's total profit is also affected by what are known as rolling profits or losses. Rolling refers to the act of selling a maturing ETC future and replacing this with one that has a later maturity date.

ETCs involve market, credit, currency and counterparty credit risks. Market risks are associated with the price performance of the underlying commodity; invested capital may fall or in theory be lost altogether if the price of the underlying commodity or basket of commodities falls. Depending on the investment strategy, the price change may be greater with some ETCs than the price change of the underlying commodity. Credit risk pertains to the issuer's repayment capacity. Issuers aim to manage counterparty credit risks associated with products by setting various collateral requirements. It is necessary to take account of currency risks with respect to the currency of the underlying asset and the quotation currency.

Short ETCs are structures that seek a return that corresponds to the inverse of the daily performance of the target market or the underlying asset.

## Profit Share

Profit Shares are an investment, as referred to in the Co-operatives Act, in the individual OP cooperative bank's equity capital and with no preference in the case of any insolvency proceedings. They are meant to be a long-term investment whose return comes from the interest paid on the share. The interest on the Profit Share and its payment always depend on the OP cooperative bank's operating profitability.

The OP cooperative bank does not necessarily create a surplus in such a way that it could be distributed to the holders of Profit Shares. Profit Shares are not capital protected investments and no collateral has been set up for them. In addition, no security or guarantee has been given for Profit Share contributions or on behalf of the OP cooperative bank. Profit Share contributions will be refunded after 12 months have elapsed from the closing of the financial year during which membership was terminated or the holder of the Profit Share terminated the Profit Share, if a cooperative bank has not refused to refund the Profit Share contribution. It should be noted that, depending on the termination date, the holder of Profit Shares obtains the refund only in 1–2 years' time from the termination.

Profit Shares are not securities and no share certificate is given for them, nor any other security showing the right to the security.

Investment in Profit Shares is not a deposit, it has no deposit guarantee as referred to in the Credit Institutions Act and it does not fall within the scope of the guarantee fund or deposit guarantee fund or the compensation system. This means that Profit Share investors carry the risk of losing the interest on Profit Shares and their invested capital. The risk may materialise because of the bank's weaker capital adequacy position which places the bank under resolution or because of the bank's default. OP cooperative banks have the right to refuse to refund Profit share contributions while the bank is operating. The financial difficulties of an OP Financial Group member cooperative bank may affect the financial position of the OP cooperative bank and thereby its ability to pay interest on the Profit Share. No secondary market has been arranged for Profit Shares and they can be transferred only to the members of the OP cooperative bank. Holders may give up their Profit Shares by presenting a Profit Share termination demand to the OP cooperative bank.

## Financial services taxes

Investors should pay attention to the fact that buying, owning and selling financial instruments results in tax implications. and they must ensure that they are aware of the appropriate taxation-related information prior to making an investment decision. Anyone planning to make an investment should turn to a tax expert in order to become informed of tax implications as required by the Finnish tax legislation, or other tax implications, resulting from buying, owning and selling financial instruments. Investors must note that the tax treatment of financial instruments is determined by the client's individual circumstances, which may change in the future.

## Trading in financial instruments

Trading in financial instruments is based on the rules of the trading venue concerned. The market price of a financial instrument may not be distorted by, for example, making a misleading bid or offer for the instrument, entering into a fictitious transaction or taking another deceptive action. A fictitious transaction refers, for example, to a case in which a person trades with themselves or with a company they own.

## Definitions

### Sustainability risk
A sustainability risk means an environmental, social or governance event or circumstance that, if realised, might have a negative material impact on the value of an investment.

### Interest rate risk
An interest rate risk refers to a risk arising from the fluctuation of the fixed income investment's market price when the interest rate changes. Reducing the loan term reduces the interest rate risk. The market assessment of the credit risk changing also affects the loan's interest rate.

### Credit Risk
Risk of the issuer failing to repay interest or principal in accordance with the terms and conditions governing the financial instrument's issuance.

### Market risk
Market risk refers to a risk arising from market-price fluctuations. Market risks comprise interest rate, currency, equity or other price risks.

### Equity risk
An equity risk refers to a risk in equity investing arising from market-price fluctuations.

### Clearing and settlement risk
Risk associated with trading, in other words, a counterparty does not deliver a security or its value in cash, as per an agreement.

### Currency risk
Currency risk results from exchange-rate fluctuations.

### Counterparty risk
Risk concerning the counterparty's ability to fulfil their obligations. (This may apply e.g. to derivative contracts, fixed income investments, structured investments and foreign exchange transactions.)

### Volatility
The standard deviation of the annualised returns over long-term annual returns. Increased fluctuation of returns increases volatility and indicates increased uncertainty.

# Information on how we consider sustainability risks

Valid as of 2 April 2024.

## Consideration of sustainability risks in investment decisions

In their investment decisions, OP Financial Group companies consider sustainability risks in a manner that is most suitable for each asset class. A sustainability risk means an environmental, social or governance event or circumstance that, if realised, might have a negative material impact on the value of an investment. How we consider ESG and sustainability in our processes is described in more detail in the Principles for Responsible Investment, which are available online at www.op.fi/responsible-investing.

When analysing an investment and making investment decisions, consideration of environmental, social and governance (ESG) factors provides further information, in addition to conventional financial and market data. Material sustainability risks may in the long run affect the financial performance of investments and, thereby, the return obtained. On the other hand, companies' operations can have adverse impacts on the environment and society. When making investment decisions, the investor must consider both sustainability risks and adverse sustainability impacts, and follow and control them systematically in their investment operations. Broader understanding of sustainability factors and encouraging companies towards increasingly sustainable business will contribute to the achievement of long-term investment objectives.

At present, OP Financial Group does not carry out a detailed assessment of the impacts of sustainability risks on the returns of financial products offered. The general view is that the magnitude of the potential impacts on returns, inflicted by sustainability risks, depends on various factors, such as the investment's time horizon, geographical breakdown and industry breakdown.

Discretionary investment management portfolios do not integrate the EU's criteria for environmentally sustainable economic activities. Investment management portfolios may, however, contain individual financial products or investments which may integrate the EU's criteria for environmentally sustainable economic activities. With respect to financial products external to OP Financial Group, each financial market participant is responsible for considering the sustainability risks according to their own operating principles and for the EU taxonomy criteria.

Sustainability risks and adverse sustainability impacts are considered and managed, for example, through the following measures:

– Exclusion: The funds exclude, from their active direct investments, controversial weapon manufacturers, tobacco producers, mining companies producing thermal coal, power companies using thermal coal and firms that have violated international norms and where engagement has been unsuccessful. The list of exclusions is public and is available online at www.op.fi/responsible-investing.
– General meetings of shareholders: OP Fund Management Company Ltd, OP Asset Management Ltd and OP Life Assurance Company Ltd participate in shareholders' meetings in Finland and abroad, in accordance with shareholder engagement principles which also take into account responsibility perspectives. Voting at the general meeting applies only to certain funds managed by OP Fund Management Company. As a rule, we do not offer broader general meeting services for other asset management clients.
– Violation of international norms: International norms, such as the UN Global Compact, define the minimum level for responsible business. Through active direct investments in OP funds and together with a service provider specialised in corporate engagement, OP Asset Management exercises influence on companies that are considered to have violated international norms. The aim is to make non-compliant companies change their practices and begin to comply with global norms in their operations.
– External asset managers: OP has established minimum criteria, which external asset managers must comply with regarding ESG factors. Additionally, the annual monitoring of external asset

managers reveals how the external asset managers take sustainability risks into account in their investments.

– Utilising ESG data in investment analysis: Portfolio managers have ESG data at their disposal; that is, information and analysis on risks related to the environmental, social and governance factors of companies and industries and how the companies manage these risks. The information is utilised in a manner that is most suitable for each asset class and fund product. For example, some funds will favour companies with a better ESG assessment and will exclude companies with a poorer ESG assessment.

## Consideration of sustainability risks in investment and insurance advice

**OP cooperative banks and OP Retail Customers plc**

We integrate sustainability risks into our investment and insurance advice by taking into account the sustainability preferences of our clients and by informing them about the above-mentioned sustainability risks.

Funds, discretionary investment management agreements and investment baskets managed by OP Financial Group companies

OP cooperative banks provide investment advice regarding funds and discretionary investment management agreements managed or administered by OP Fund Management Company Ltd, as well as advice on the insurance products and insurance-based investment products offered by OP Life Assurance Company Ltd. Either OP Asset Management Ltd or OP Real Estate Asset Management Ltd typically acts as the portfolio manager of these fund-based products, asset management mandates or investment baskets and sustainability risks are considered, as described above, in the related investment decisions.

Funds managed by other fund management companies

Each fund's portfolio manager is responsible for their part for the consideration of sustainability risks according to their own operating principles.

Regulations state that fund prospectuses must provide detailed information on a fund's ESG factors.

**OP Asset Management Ltd**

We integrate sustainability risks into our investment and insurance advice by taking into account the sustainability preferences of our clients and by informing them about the above-mentioned sustainability risks. When choosing products for distribution, we take into account sustainable development factors and risks together with economic factors.

Funds, discretionary investment management agreements and investment baskets managed by OP Financial Group companies

OP Asset Management provides investment advice regarding funds managed or administered by OP Fund Management Company Ltd and OP Real Estate Asset Management Ltd, insurance advice on OP Life Assurance Company Ltd's insurance products and insurance-based investment products, and the products and services of OP Asset Management Ltd, including the discretionary investment management service. OP Asset Management Ltd or OP Real Estate Asset Management Ltd typically acts as the portfolio manager of these fund-based products, asset management mandates or investment baskets. Investment decisions on the products take account of sustainability risks, as described above.

Funds managed by other fund management companies

Each fund's portfolio manager is responsible for their part for the consideration of sustainability risks according to their own operating principles.

Regulations state that fund prospectuses must provide detailed information on a fund's ESG factors.

**OP Life Assurance Company Ltd**

Funds, discretionary investment management agreements and investment baskets managed by OP Financial Group companies

OP Life Assurance Company Ltd's products are provided by OP cooperative banks, OP Retail Customers plc and OP Asset Management Ltd which act as agents of OP Life Assurance Company Ltd. These agents provide insurance advice on the insurance products of OP Life Assurance Company Ltd and on insurance-based investment products, such as the funds managed or administered by OP Fund Management Company Ltd or OP Real Estate Asset Management Ltd, investment baskets managed by OP Asset Management Ltd, or structured products issued by OP Corporate Bank plc. In investment decisions related to said products, sustainability risks are considered in the manner described above.

Funds managed by other fund management companies

Each fund's portfolio manager is responsible for their part for the consideration of sustainability risks according to their own operating principles.

Regulations state that fund prospectuses must provide detailed information on a fund's ESG factors.

# Acknowledging sustainability risks in discretionary investment management

## Discretionary investment management portfolios managed by OP Asset Management

At the moment, investments included in discretionary investment management portfolios provided by OP Financial Group cooperative banks or OP Asset Management do not integrate the EU criteria for environmentally sustainable economic activities, unless specifically otherwise stated in the discretionary investment management agreement or in agreement-specific prior information. Sustainability risks are integrated in investment decisions as described below.

In discretionary investment management, we select products for our client's portfolio that match their risk tolerance level. Responsibility and sustainability risks are acknowledged for each product added to the portfolio, in the manner best suited for that product.

– Direct, active investments follow OP Asset Management's list of exclusions, and companies are screened for violations of international norms. For more information, see the Principles for responsible investment by OP Asset Management, which are available online at op.fi/responsible-investing.

  In index fund and ETF investments, responsibility is acknowledged mainly through the issuer's responsibility practices.

# Accounting for the principal adverse impacts on sustainability factors for discretionary investment management products

In discretionary investment management, the principal adverse impacts on sustainability factors are taken into account when the investment targets are funds managed by OP Financial Group companies, where the principal adverse impacts on sustainability factors are accounted for. For other investments, adverse impacts on sustainability factors cannot be accounted for, as there is not currently enough relevant information available for the investments.

Information on the principal adverse impacts on sustainability factors for investments is available in the investment details, such as the sustainability data of the funds prospectus in the case of funds. Information on the implementation of the measures taken will also be available on the periodic report forms of the investments, which can be found in the periodic reports of the OP funds' annual reports and, for other fund management companies, on their websites, as of 2023.

# Consideration of principal adverse sustainability impacts in insurance policies

The principal adverse impacts on sustainability factors are taken into account in insurance policies where the investment targets are funds or investment baskets managed by OP Financial Group companies, where the principal adverse impacts on sustainability factors are accounted for. For other investments, the principal adverse impacts on sustainability factors cannot be fully accounted for as there is not currently sufficient relevant information available regarding the investments.

Information on the principal adverse impacts on sustainability factors for investments is available in the investment details, such as, in the case of funds, the sustainability data of the fund's prospectus. Information (in Finnish) is also available in the periodic report forms of the investments, which can be found in the periodic reports under the OP funds' annual reports. Sustainability data and periodic report forms for investment baskets and mutual funds in other fund management companies are available on the web page at https://www.op.fi/private-customers/savings-and-investments/saving-through-insurance/responsible-saving-through-insurance.