

Appendix 6: Taking account of sustainability risks in OP Financial Group companies' remuneration

This document describes how OP Financial Group companies take account of sustainability risks in their employee remuneration. The document applies to investment activities and investment advice, which also includes insurance advice. A sustainability risk means an environmental, social or governance (ESG) event or condition that, if it occurs, could have a negative material impact on the value of an investment.

This document is applicable to the following OP Financial Group companies and all OP Financial Group member cooperative banks.

The companies have taken account of sustainability risks in their employee remuneration, as follows:

OP Asset Management Ltd and OP Real Estate Asset Management Ltd

OP Asset Management Ltd and OP Real Estate Asset Management Ltd take sustainability risks into consideration when qualitatively reviewing an employee's performance for remuneration purposes. In practice, the companies take account of sustainability risks regarding the roles of persons for whom consideration of sustainability risks is an integral part of their duties. Thus, the qualitative performance review guides employees' work and sustainability risks are taken into account in a manner that either increases or decreases their variable remuneration.

Companies currently take account of sustainability risks in the qualitative factors of the remuneration of those involved in investment activities, ESG specialists, customer relationship teams and product managers. In practice, the qualitative elements specified in remuneration reflect how well an employee has promoted the development of ESG integration in their own role.

OP Fund Management Company Ltd

OP Fund Management Company Ltd has outsourced some of its investment activities concerning mutual funds to OP Asset Management Ltd and OP Real Estate Asset Management Ltd. OP Fund Management Company Ltd has outsourced the distribution of the funds it manages to OP Asset Management Ltd and OP cooperative banks. OP Asset Management Ltd's remuneration policies are applied in the investment activities of OP Fund Management Company Ltd's funds.

OP Life Assurance Company Ltd and Pohjola Insurance Ltd

OP Life Assurance Company Ltd and Pohjola Insurance Ltd have outsourced their investment activities to OP Asset Management Ltd. In terms of remuneration, OP Asset Management Ltd takes account of sustainability risks in the manner described above.

OP Life Assurance Company Ltd's policies are provided by Pohjola Insurance Ltd, with OP cooperative banks and OP Asset Management Ltd acting as agents, which take sustainability risks into account as part of the qualitative elements involved in short-term employee remuneration.

The result based on the insurance companies' remuneration is derived from the processes guiding the companies' operations, which involve identifying and preparing for sustainability risks. Sustainability risks in the risk management system are included in processes related to risk identification, annual planning and stress testing, among other matters.

In practice, sustainability risks are taken into account in the remuneration of employees who are involved in providing insurance services and pricing. Thus, they guide employees' work and are taken into consideration as part of short-term remuneration that may be reduced if consideration of sustainability risks has been neglected in the provision and pricing of insurance policies.

OP Retail Customers plc

OP Financial Group member cooperative banks have outsourced some of their customer service functions to OP Retail Customers plc. When OP Retail Customers plc acts in its outsourcing role, it follows OP Financial Group member cooperative banks' remuneration principles described below.

OP Corporate Bank plc

The Markets function of OP Corporate Bank provides investment advice on interest, currency and commodity derivatives for hedging purposes only. By means of derivatives, the client has the opportunity to hedge against the potential indirect impacts of sustainability risks on commodity prices and on exchange and interest rates. From the standpoint of interest, currency and commodity derivative contracts, events or conditions related to sustainability risks can only have an indirect impact on the price of the derivative contract's underlying asset, and therefore the value of the contract. For this reason, there is no way of predicting how events or circumstances related to sustainability risks might impact on the price of the underlying asset.

Sustainability risks cannot be taken into account as an individual element in employee remuneration, due to the scope of the investment advice offered and the nature and purpose of the related products.

OP Bank Group Pension Foundation

OP Bank Group Pension Foundation has outsourced its investment activities to OP Asset Management Ltd. OP Asset Management Ltd's remuneration policies are applied in OP Bank Group Pension Foundation's investment activities.

OP Financial Group member cooperative banks

OP Financial Group member cooperative banks have outsourced investment activities to other OP Financial Group companies, particularly OP Asset Management Ltd. In their role, OP Financial Group member cooperative banks transmit orders, give investment and insurance advice and provide wealth management services in which decision-making has been outsourced to other OP Financial Group companies.

OP Financial Group member cooperative banks take account of sustainability risks as part of the qualitative elements of short-term remuneration. In practice, sustainability risks are taken into account in the remuneration of employees involved in providing investment services at OP cooperative banks. They therefore guide employees' work and are taken into consideration as part of short-term remuneration that may be reduced if consideration of sustainability risks has been neglected in the investment advice given.

Disclosure

An updated version of this appendix to the pay policy must be published on OP's website as required by the Disclosure Regulation (2019/2088, Article 3).