

Consideration of sustainability risks in employee remuneration of OP Financial Group companies

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

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

The companies consider 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 in employee remuneration in the qualitative review of an employee's performance. In practice, the companies consider sustainability risks in respect of the roles of the persons for whom the consideration of sustainability risks is an integral part of their work duties. Thus, the qualitative performance review guides employees' work and sustainability risks are taken into account as part of variable remuneration that either decreases or increases it.

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

OP Fund Management Company Ltd

OP Fund Management Company Ltd has outsourced the portfolio managements of the 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 portfolio management of OP Fund Management Company Ltd's funds.

OP Life Assurance Company Ltd

OP Life Assurance Company Ltd has outsourced its investment activities to OP Asset Management Ltd.

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 the short-term employee remuneration. In practice, sustainability risks are taken into account in the remuneration of the employees who are involved in providing investment services. 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 investment advice given.

OP Card Company Plc

OP Financial Group member cooperative banks have outsourced some of their customer service functions to OP Card Company Plc. When the OP Card Company 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 only for hedging purposes. By means of derivatives, the client has the opportunity to hedge against potential indirect impacts of sustainability risks on commodity prices and exchange and interest rates. From the standpoint of interest, currency and commodity derivative contracts, events or conditions related to sustainability risks can impact the price of the underlying asset of the derivative contract and therefore the value of the contract only indirectly. For this reason, the potential impact of events or conditions related to sustainability risks on the price of the underlying asset cannot be predicted.

The extent of the investment advice offered, in view of the nature of products and purpose of use, sustainability risks cannot be taken into account as an individual element in employee remuneration.

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, especially to 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 the employees who are involved in providing investment services at OP co-operative banks. Thus, they guide the 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.