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## PRINCIPLES OF GOOD CORPORATE GOVERNANCE

OP Cooperative's Board of Directors and, with respect to the diversity of governance, the Supervisory Council, have confirmed the Principles of Good Corporate Governance for OP Financial Group. These Principles cover all OP Financial Group entities as applicable. The Principles will be communicated to insurance companies, which will take the guidelines into consideration in their governance structures, where applicable. The Group entities' branches abroad apply these Principles insofar as possible, taking account of any requirements set by local legislation.

### 1 General principles

Reliable organisation of the governance of OP Financial Group and each of its entities forms part of implementing the Group's core values and the Code of Business Ethics. The goal of organising good corporate governance is to ensure the efficient and stable management of the Group entities and thereby promote the interests of the Group's owner-customers.

The Principles of Good Corporate Governance at OP Financial Group form part of OP Financial Group's good governance framework. They specify the organisation of the governance of Group entities, the management of conflicts of interest, the organisation of functions independent of business, the arrangement of corporate security, data protection and cybersecurity, outsourcing management, disclosure of information and the general principles governing the channel used in reporting on any violations. OP Cooperative's Board of Directors, the President and Group Chief Executive Officer or an Executive Management Team committee authorised by the President and Group Chief Executive Officer will issue more detailed instructions concerning these subject areas.

Good corporate governance means that OP Financial Group as a whole and its entities have the following regime in place:

- They have documented their organisational structure with well-defined powers, responsibilities and reporting relationships.
  - They have diverse management bodies; their members have versatile skills and experience, the management bodies have balanced representation of genders and age groups and have comprehensive representation of various regions.
  - The management bodies assess and develop their performance on a regular basis.
  - Members of senior and executive management are fit and proper for their duties and reliable.
  - They identify and manage conflicts of interest.
  - They have organised risk management, compliance and internal audit so that these functions are independent of business lines/divisions.
  - Their overall remuneration supports OP Financial Group's values, objective and strategy and the achievement of targets, and does not encourage risk-taking above the defined risk-taking level or acting contrary to the conflict of interest policy, and does not lead to actions against the customer's best interests.
  - They operate transparently and openly and disclose information that is relevant regarding the reliability of operations.
  - They ensure that corporate security, data protection and cybersecurity are an essential and inseparable part of operations.
  - When functions are outsourced, they ensure that risk management and control related to the outsourced operations are organised appropriately.
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- Personnel and stakeholders have the opportunity to report any violations they have observed through an independent channel.

The Principles of Good Corporate Governance are supplemented by Group-level principles and guidelines issued by the central cooperative regarding:

- internal control
- risk-taking and risk management
- compliance
- managing conflicts of interest and anti-corruption
- appointment and FAP assessment of management and administration
- corporate security
- cybersecurity and data protection
- remuneration
- insiders and insider trading
- outsourcing management.

## 2 Organisation of OP Financial Group's governance

### 2.1 OP Financial Group structure

OP Financial Group consists of its member cooperative banks and OP Cooperative, which they own, including its subsidiaries and closely related companies.

OP Financial Group comprises the following two parts:

1. an amalgamation in accordance with the Act on the Amalgamation of Deposit Banks, and
2. other entities and organisations of OP Financial Group.

The amalgamation of deposit banks is formed by OP Cooperative (the central cooperative), companies belonging to its consolidation group, the central cooperative's member credit institutions and companies belonging to the consolidation groups of such institutions, as well as credit institutions, financial institutions and service companies in which the aforementioned institutions jointly hold more than half of the voting rights.

The extent of OP Financial Group differs from that of the amalgamation in that OP Financial Group subsumes entities other than credit and financial institutions or service companies. The most important of these are the insurance companies with which the amalgamation forms a financial conglomerate.

The central cooperative (OP Cooperative) has good corporate governance that enables effective risk management at OP Financial Group, as well as sufficient internal control and risk management systems in view of the Group's operations.

The central cooperative issues OP cooperative banks belonging to the amalgamation of deposit banks and companies of the central cooperative consolidated with instructions on the qualitative requirements needed to secure their liquidity and capital adequacy, on risk management, good corporate governance and internal control, as well as on compliance with standardised accounting policies in the preparation of the consolidated financial statement of the amalgamation. The central cooperative supervises compliance with instructions issued by it. In relation to its subsidiaries, the central cooperative performs shareholder engagement.

## 2.2 OP cooperative banks

The governance structure of OP cooperative banks is based on legislation and the rules and the charter they have adopted on the basis of the sample bylaws issued by the central cooperative, which define the responsibilities and duties of the management bodies. Registration of an OP cooperative bank's bylaws requires the approval of the central cooperative.

### 2.2.1 Cooperative Meeting or Representative Assembly

Members of OP cooperative banks, or owner-customers, use their decision-making powers in the Cooperative Meeting or in a Representative Assembly elected by and from among owner-customers. Representative Assembly and Cooperative Meetings are arranged in such a manner that owner-customers of the OP cooperative banks can effectively exercise their rights at the meetings. The meetings are held in a venue and at a time that as many Representative Assembly members/OP cooperative bank owner-customers as possible can attend the meeting.

### 2.2.2 Supervisory Council

The Representative Assembly or the Cooperative Meeting elects the bank's Supervisory Council tasked with supervising the bank's governance by its Board of Directors and Managing Director. The OP cooperative bank's Supervisory Council elects the bank's Board of Directors, Managing Director and deputy Managing Director. The Supervisory Council's duties are specified in the Bylaws of OP and in the Supervisory Council Charter.

### 2.2.3 Board of Directors

The Board of Directors of the OP cooperative bank is responsible for managing the bank's operations in accordance with the law, official regulations, bylaws of the OP cooperative bank and the principles and instructions confirmed by the central cooperative and charter confirmed by the Supervisory Council. The Board of Directors is responsible for matters which by law or the bank's charter do not fall within the remit of the Managing Director, Supervisory Council, Representative Assembly or Cooperative Meeting. The Board of Directors has a particular duty to look after the bank's interests and promote its development. The duties of the Board of Directors are described in the bylaws of the OP cooperative bank and in the Board Charter.

### 2.2.4 Managing Director

The Supervisory Council appoints the Managing Director and deputy Managing Director of the OP cooperative bank and decides whether the Managing Director may serve on the Board of Directors.

The Managing Director of the OP cooperative bank is responsible for managing the bank's day-to-day governance in accordance with the law, official regulations, bylaws of the OP cooperative bank and the principles and instructions confirmed by the central cooperative and charter confirmed by the Supervisory Council. The Managing Director is responsible for ensuring that the bank's operations are efficient and profitable, adaptable to changes in the operating environment and managed and sustainable in terms of risks, in accordance with the strategy and action plan adopted by the Board of Directors and instructions. The Managing Director reports regularly to the Board of Directors on the bank's operations.

The Managing Director may be assisted by a Management Team appointed by the Board of Directors. The Management Team has neither official status under company law nor official decision-making powers.

## 2.3 Central cooperative and central cooperative consolidated companies

The highest decision-making body in the central cooperative, OP Cooperative, is the Cooperative Meeting which elects members of the central cooperative's Supervisory Council. Notwithstanding the supervisory obligation of the Board of Directors, the general duties of the Supervisory Council under the Co-operatives Act include supervising the governance of the central cooperative for which the Board of Directors and the President and Group Chief Executive Officer are responsible. The Supervisory Council appoints the central cooperative's Board members, OP Financial Group's President and Group Chief Executive Officer, who acts as the central cooperative's CEO, and the deputy to the President and Group Chief Executive Officer.

The central cooperative's Board of Directors controls the operations of the central cooperative, the central cooperative consolidated, the amalgamation and the entire OP Financial Group according to the Supervisory Council's guidelines and manages the governance of the central cooperative and organises its operations appropriately in compliance with legislation and the regulations and decisions issued by relevant authorities. The Board of Directors must ensure that supervision of the central cooperative's accounting and financial management is duly organised. In addition, the Board of Directors supervises that the central cooperative, the central cooperative consolidated, the amalgamation and OP Financial Group as a whole are managed reliably, efficiently and in compliance with prudent business principles, and supervises that the central cooperative, its subsidiaries and the companies within the amalgamation comply with applicable laws, orders and decisions issued by relevant authorities, bylaws or articles of association and the principles and instructions confirmed and issued by the Supervisory Council and Board of Directors.

The Audit Committee, Risk Committee, Nomination Committee and Remuneration Committee assist the Board of Directors in its duties.

The Executive Management Team acts as the central cooperative's Management Team and supports the President and Group Chief Executive Officer in managing OP Financial Group, the central cooperative and its consolidation group, in preparing strategic policies, preparing and implementing any operational issues of great significance or principal in nature, and in ensuring effective internal control, compliance and independent risk management.

## 3 Functions independent of business

OP Financial Group entities organise their risk management, compliance and internal audit to be independent of businesses in accordance with the principle of three lines of defence. The first line of defence comprises operational risk management and internal control performed by the business, the second line of defence comprises the independent risk management centre of excellence and compliance functions and the third line of defence comprises the independent Internal Audit.

## 4 Ensuring fit and proper assessment of administration and management, and governance diversity

OP Financial Group has a long-term approach to planning the composition of management bodies. The management body must always collectively have adequate knowledge of and experience in performing its duties. This means that the management body must be considered from the

perspective of the competence and experience of individual members, in addition to the sum of the members' competence and experience.

In order for the management body to be able to effectively perform its control and supervisory duties, its members must together be able to express well-argued views, make justified decisions and effectively challenge and evaluate decisions made by the senior management.

All OP Financial Group staff members must demonstrate the required fitness and propriety so that customers, owners, markets and regulators can maintain full confidence in OP Financial Group. With respect to management and members of management bodies, it is also the question of good corporate governance, which forms a key requirement for a business subject to authorisation.

Members of management and governing bodies and persons responsible for significant independent functions within OP Financial Group undergo a fit and proper assessment before the person is appointed to the position and regularly and whenever necessary thereafter. The Fit and proper assessment also always involves assessing the independence of management members from the entity. The assessment of independence is an overall assessment on a case-by-case basis. The assessment is carried out in accordance with regulations applicable to the entity in question.

Furthermore, in preparing the selection of members of the management bodies, attention must be paid to the person's added value to the body's composition in terms of, for example, fostering adequate diversity. Diversity is fostered by ensuring that the candidates have a wide range of knowledge, skills and experience, as well as a balanced representation of genders and age groups on the management bodies. In addition, with respect to the governing bodies of OP cooperative banks and OP Cooperative, sufficient geographical representation of members must also be considered.

The aim is that the Boards of Directors of OP cooperative banks, OP Cooperative and its credit institution subsidiaries and Pohjola Insurance and the Supervisory Councils of OP cooperative banks and OP Cooperative are represented by both genders at least on a 60/40% basis. The gender distribution of governing bodies is calculated using the rounding principles given in the table for calculating the gender distribution of boards of directors of listed companies, as provided in the Limited Liability Companies Act. The Boards of Directors of other significant subsidiaries of OP Cooperative shall have representation from both genders.

To achieve this goal, among candidates with equal strengths in terms of skills and experience, the person who represents a gender that is in minority on the governing body is appointed a member of the governing body.

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### Managing conflicts of interest and preventing corruption

Identifying, assessing, preventing, and managing the situations of conflicts of interest form an integral part of reliable corporate governance practices and are an integral part of business management duties and good corporate culture. Members of management, management bodies and staff within every Group entity must act in the interests and for the benefit of the entity concerned and the Group without undue influence. Every person representing management, management bodies and employees of a Group entity is obliged to ensure the avoidance and appropriate management of conflicts of interest. OP Financial Group is committed to maintaining good corporate governance practices, transparency and responsible business operations. Anti-corruption forms part of responsible business operations.

## **6 Remuneration**

OP Financial Group has issued principles of a remuneration scheme for its companies' employees and executives covering remuneration principles, pay policy and terms of the performance-based bonus scheme (Remuneration Guidelines).

Overall remuneration must support the values, objective and strategy of OP Financial Group and facilitate their achievement. The performance-based bonus scheme is used to control and promote the achievement of OP Financial Group's long-term strategic targets and related annual target metrics, and to reward employees for reaching and exceeding the targets.

Variable remuneration paid to employees in supervisory functions must not compromise their objectivity and independence. Remuneration of persons in such roles may not be based on the earnings of the organisations they supervise.

## **7 Corporate security, data protection and cybersecurity**

Security activities are aimed at ensuring a safe and secure physical work environment for our employees and a secure environment for transactions for our customers while protecting OP Financial Group's data, premises, reputation, business processes and services against risks to which they may be exposed. Comprehensive security activities aim to ensure business continuity, and foster business objectives and targets.

Data protection and cybersecurity are an essential and inseparable part of OP Financial Group's operations and good data processing practices.

Each OP Financial Group employee is responsible for ensuring that they process personal data in compliance with data protection legislation, good data management and processing practice and good banking and insurance practice, while ensuring that privacy protection is not compromised.

## **8 Outsourcing**

The outsourcing of functions is aimed at improving the achievement of OP Financial Group's strategic and operational goals and competitiveness. This can be achieved, for example, through higher operational efficiency, better operational reliability, better customer experience, greater flexibility or expertise of an external service provider. An external service provider must have practices consistent with OP Financial Group's core values and ethical principles. The service provider must agree to comply with OP's Supplier Code of Conduct or verify that its practice is at least at the level of OP Financial Group's minimum requirements.

## **9 Disclosure of information**

In its external communication, OP Financial Group follows the communications and disclosure policy confirmed by the Board of Directors of OP Cooperative, on the basis of which the Group discloses information on the central cooperative and its Group companies. In accordance with the policy, OP Financial Group annually publishes its Corporate Governance Statement as well as OP Financial Group's Remuneration Statement on its website.

Each OP cooperative bank discloses a Corporate Governance Statement on its website. The Statement includes a description of the organisation and functioning of the bank's governance and a report on compliance with the governance requirements.

## Reporting violations (whistleblowing)

OP Financial Group maintains a system through which people can report suspected breaches of rules and regulations. The central cooperative's Compliance function is responsible for OP Financial Group's whistleblowing process. Actions that are against OP Financial Group's values can also be reported.

All reports will be processed without delay. Based on the reports, the required investigations will be carried out and measures taken if needed. The reports will be processed with the strictest confidentiality. OP Financial Group's whistleblowing process enables anonymous reporting unless the reporting party wishes to provide their personal details. Access to information related to the content of the report and the person subject to reporting is limited to the Chief Compliance Officer and persons who must investigate the matter according to the assessment by the Group Compliance Officer.