



Statement on the principal adverse  
sustainability impacts of investment decisions

Tervolan Osuuspankki  
June 2024

# 1 Statement on the principal adverse sustainability impacts of investment decisions

## Version history

Applied (date)	Version	Changes
30 June 2021	1.0	Consideration of Principal Adverse Sustainability Impacts in Investing and Insurance Operations
28 June 2023	2.0	Added a list of indicators (including indicators applied to investments in governments and supranational organisations and property investments).
22 December 2023	2.1	Updated reporting for Table 1 indicators 6, 8 and 9.
30 June 2024	3.0	The statement on the principal adverse impacts of investment decisions on sustainability factors was changed from an OP Financial Group-level statement to a company-level one.

Financial market participant: Tervolan Osuuspankki 743700UXY2MX54OLKB86

## 1.1 Summary

Tervolan Osuuspankki 743700UXY2MX54OLKB86 acknowledges the principal adverse impacts its investment decisions have on sustainability factors. This report is Tervolan Osuuspankki's statement on the principal adverse sustainability impacts. This statement on the principal adverse sustainability impacts covers the reference period from 1 January 2023 to 31 December 2023.

This statement shall be issued in the manner required by the Sustainable Finance Disclosure Regulation, SFDR (2019/2088, Article 4). Reports related to the indicators of adverse impacts during the reference period are presented in Table 1 in Appendix I of the SFDR's Delegated Regulation (EU 2022/1288). This statement is reviewed annually.

OP cooperative banks offering discretionary asset management have outsourced their investment activities to OP Asset Management Ltd. Therefore, investment activities acknowledge, as applicable, OP Asset Management Ltd's principles of responsible investing as well as the international standards complied with by OP Asset Management Ltd.

This statement also describes the principles applied at OP Financial Group, including the OP cooperative banks, in relation to the identification and prioritisation of the principal adverse sustainability impacts and how these principles are kept up to date and applied.

The principal adverse impacts on sustainability factors are divided into the following themes:

Indicators applied to investments in companies as investment products:

- Greenhouse gas emissions
- Biological diversity
- Water
- Waste
- Social and employee matters

Indicators applied to investments in governments and supranational organisations:

- Greenhouse gas intensity
- Countries we invest in that have committed violations of social welfare legislation

Principal adverse impacts on sustainability are analysed by screening all investments for the metrics provided in Table 1 and reporting these once per year. For the time being, it is challenging to identify the principal adverse impacts of investments, since entities we invest in do not report them comprehensively. The available information is combined with the estimated information from external service providers in order to obtain an indicative picture of what kind of sustainability impacts different companies have. The adverse sustainability impacts of the entities we invest in are combined, and the combined figure is monitored on the level of the financial market participant. Comparing the investments is difficult since our investment portfolios contain different asset classes and industries. Depending on the size and asset class distribution of the investment portfolio, the sustainability indicator figures describing the adverse impacts may vary by financial market participant.

## 2 Description of the principal adverse sustainability impacts

Sustainability factors refer to environmental, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters. Companies included in the portfolio may have adverse impacts on sustainability factors through their economic activities. OP Asset Management Ltd, to which the OP cooperative banks have outsourced their investment activities, aims to make transparent the adverse sustainability impacts that the business operations may have on the environment or society. The principal adverse sustainability impacts are acknowledged by screening the investments using the key climate, environmental and social principal adverse impact (PAI) indicators (see Table 1). The table also includes a description of the current and planned measures and goals to prevent and/or reduce adverse sustainability impacts.

Table 1 \*

Indicators applied to investments in companies we invest in

## INDICATORS RELATED TO THE CLIMATE AND OTHER ENVIRONMENTAL FACTORS

Sustainability indicator describing the level of harm	Metric	Impact 2023 ** ***	Impact 2022	Description	Measures taken and the measures planned and goals set for the next reference period
Greenhouse gas emissions	1. Greenhouse gas emissions	Scope 1 - greenhouse gas emissions	39 tCO <sub>2</sub> e (97.77%)		<p><b>ESG analysis:</b> OP Asset Management has monitored the carbon footprint of investments since 2015. The weighted average of the carbon intensity of OP funds' investments has decreased by 49% from the 2019 level. OP Asset Management is committed to promoting the Paris climate goals and achieving net zero emissions from investments by 2050, and it has announced its goal as part of the international Net Zero Asset Managers initiative. A concrete intermediary goal for equity and fixed income investment is to cut the combined carbon intensity of OP funds by half by the end of 2030 in comparison with the level of 2019.</p> <p>Climate metrics are used in investment operations as part of the corporate analysis. This contains indicators that allow us to model the Paris Agreement's warming goals for investment products, and information on the emissions reduction goals of the target companies.</p> <p><b>Exclusions:</b> OP Asset Management excludes all direct, active investment in companies where over 20% of production's turnover is dependent on coal or coal-based energy. The use of coal will be discontinued gradually by 2030.</p>
		Scope 2 - greenhouse gas emissions	13 tCO <sub>2</sub> e (97.77%)		
		Scope 3 - greenhouse gas emissions	761 tCO <sub>2</sub> e (92.49%)		
		Total greenhouse gas emissions	813 tCO <sub>2</sub> e		
	2. Carbon footprint	Carbon footprint	1 571 tCO <sub>2</sub> e/m€		
3. Intensity of greenhouse gas emissions of companies we have invested in	Intensity of greenhouse gas emissions of companies we have invested in	909 tCO <sub>2</sub> e/m€			
4. Responsibility related to companies that operate in the field of fossil fuels	Share of investments in companies that operate in the field of fossil fuels	14.26% (97.62%)			
5. Share of the use and production of nonrenewable energy	Share of the use of nonrenewable energy and the production of nonrenewable energy in the companies we have invested in compared with renewable sources of energy, expressed as percentages of the total amount of energy sources	71.77% (85.89%)			

Sustainability indicator describing the level of harm	Metric	Impact 2023 ** ***	Impact 2022	Description	Measures taken and the measures planned and goals set for the next reference period	
	6. The intensity of energy consumption per area that has a significant climate impact	Energy consumption as gigawatt-hours per million euros produced by the companies we have invested in calculated per area that has a significant climate impact	NACE code A (Agriculture, forestry, and fishing) 0 GWh /m€ (0%)  NACE code B (Mining and quarrying) 0 GWh /m€ (0%)  NACE code C (Manufacturing) 1.08 GWh /m€ (100%)  NACE code D (Electricity, gas, steam and air conditioning supply) 12.19 GWh /m€ (100%)  NACE code E (Water supply; sewerage, waste management and remediation activities) 0 GWh /m€ (0%)  NACE code F (Construction) 0 GWh /m€ (0%)			

Sustainability indicator describing the level of harm		Metric	Impact 2023 ** ***	Impact 2022	Description	Measures taken and the measures planned and goals set for the next reference period
			<p>NACE code G (Wholesale and retail trade; repair of motor vehicles and motorcycles) 0.09 GWh /m€ (72.88%)</p> <p>NACE code H (Transportation and storage) 0 GWh /m€ (0%)</p> <p>NACE code L (Real estate activities) 0 GWh /m€ (0%)</p>			
Biological diversity	7. Functions that have a negative impact on areas with sensitive biological diversity	Share of companies we have invested in that have locations or functions in areas with sensitive biological diversity or near them and where the functions of these companies have a negative impact on such an area	3.55% (97.62%)			<b>ESG analysis:</b> In the case of globally distributed investments, investors still have only limited possibilities to assess financial risks related to nature, because location-specific impacts on biodiversity can only be measured indirectly in most cases. We have conducted a preliminary analysis of the dependencies of our two funds on natural capital, and our goal is to continue and expand this analysis.
Water	8. Emissions to water	The weighted average of emissions to water caused by companies we have invested in as tons per million euros invested	0.0019 t/m€ (10.59%)			<b>ESG analysis:</b> In terms of water, we monitor the amount of waste water from industrial activities and how the company's functions focus on areas of sparse water resources in the fields of operation where it is relevant.

Sustainability indicator describing the level of harm		Metric	Impact 2023 ** ***	Impact 2022	Description	Measures taken and the measures planned and goals set for the next reference period
Waste	9. Amount of hazardous waste and radioactive waste	The weighted average of hazardous waste and radioactive waste caused by companies we have invested in as tons per million euros invested	1.0264 t/m€ (51.02%)			<b>ESG analysis:</b> The amount of hazardous waste caused by the companies' operations will be assessed as part of a portfolio-specific ESG analysis in those fields of operation where it is relevant.

## INDICATORS RELATED TO SOCIAL AND EMPLOYEE MATTERS, RESPECT FOR HUMAN RIGHTS, AND ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Sustainability indicator describing the level of harm		Metric	Impact 2023 ** ***	Impact 2022	Description	Measures taken and the measures planned and goals set for the next reference period
Social and employee matters	10. Violations of the UN's Global Compact principles and the guidelines for multinational enterprises issued by the Organisation for Economic Co-operation and Development (OECD)	Share of investments in companies that have been part of a violation of the UN's Global Compact principles or the guidelines for multinational enterprises issued by the OECD	0% (97.62%)			<p><b>ESG analysis:</b> OP has signed the principles of the UN Global Compact initiative. Investment options are screened regularly for possible violations of international norms.</p> <p><b>Active ownership:</b> If a norm violation is detected, we will begin an advocacy process with the company. As a last resort, the company will be excluded from investment.</p>
	11. Lack of processes and mechanisms to monitor that the UN Global Compact principles or the OECD Guidelines for multinational enterprises are followed	Share of companies we have invested in that have no operating principles for monitoring adherence to the UN Global Compact principles or the OECD Guidelines for multinational enterprises or handling systems for problems or complaints for intervening with violations of UN's Global Compact principles or the OECD Guidelines for multinational enterprises	0% (97.62%)			<p><b>ESG analysis:</b> OP has signed the principles of the UN Global Compact initiative. When screening for investments, we identify investment options that have problems with principles and/or are not in line with the principles.</p>
	12. Wage differentials between genders not evened	The average unadjusted gender pay gap in the companies we have invested in	11.26% (16.95%)			<p><b>ESG analysis:</b> At the moment, data coverage is too low. We have acquired an indicator from an external service provider who strives to improve the data coverage. The poor data coverage is due to the fact that only a few companies use the indicator in question in their reporting.</p>
	13. Gender diversity in the Board of Directors	The average share of female Board members in relation to the male members in the companies we have invested in presented as percentages of all Board members	35.48% (97.77%)			<p><b>ESG analysis.</b> OP Asset Management monitors the gender distribution of companies we have invested in and, if needed, reviews the company further if its Board does not acknowledge gender diversity.</p>
	14. Exposure to a risk related to	Share of companies we have invested in that participate in the	0% (97.62%)			<p><b>Exclusions:</b> OP Asset Management excludes all controversial weapons entirely from its investment.</p>



Sustainability indicator describing the level of harm	Metric	Impact 2023 ** ***	Impact 2022	Description	Measures taken and the measures planned and goals set for the next reference period	
	controversial weapons (antipersonnel mines, cluster bombs, chemical weapons and biological weapons)	production or sale of controversial weapons				

## Indicators applied to investments in governments and supranational organisations

Sustainability indicator describing the level of harm		Metric	Impact 2023 ** ***	Impact 2022	Description	Measures taken and the measures planned and goals set for the next reference period
Environment	15. Greenhouse gas intensity	Intensity of greenhouse gas emissions of countries we have invested in	NA tCO <sub>2</sub> e/m€ (NA%)			<b>ESG analysis:</b> OP Asset Management is committed to promoting the Paris climate goals and achieving net zero emissions from investments by 2050, and it has announced its goal as part of the international Net Zero Asset Managers initiative. As for government bond investments, we monitor the greenhouse gas intensity of governments.
Social	16. Countries invested in that have committed a violation of social code regulations	Number of countries invested in (absolute number and a relative number divided by all countries we have invested in) that have committed a violation of international fundamental treaties and conventions, the United Nations' principles or social welfare legislation referred to in international legislation	0 NA% (NA%)			OP Asset Management complies with sanctions by different international bodies such as the EU, UN and USA. Investments are screened in accordance with these sanctions lists.

## Indicators applied to investments in real estate assets

Sustainability indicator describing the level of harm		Metric	Impact 2023 ** ***	Impact 2022	Description	Measures taken and the measures planned and goals set for the next reference period
Fossil fuels	17. Exposure to a risk related to fossil fuels through real estate assets	Share of investments in such real estate assets that relate to the recovery, storage, transport or production of fossil fuels	N/A			N/A
Energy efficiency	18. Exposure to a risk related to energy inefficient real estate assets	Share of investments in energy inefficient real estate assets	N/A			N/A

ADDITIONAL INDICATORS RELATED TO THE CLIMATE AND OTHER ENVIRONMENTAL FACTORS

Indicators applied to investments in companies we invest in

Sustainability indicator describing the level of harm		Metric	Impact 2023 ** ***	Impact 2022	Description	Measures taken and the measures planned and goals set for the next reference period
Emissions	4. Investments in companies that have no initiatives for reducing carbon emissions	Share of companies we have invested in that have no initiatives to reduce carbon emissions in accordance with the Paris Agreement	49.98% (97.62%)			<b>ESG analysis:</b> OP Asset Management is committed to promoting the Paris climate goals and achieving net zero emissions from investments by 2050. Climate metrics are used in investment operations as part of the corporate analysis. This contains indicators that allow us to model the Paris Agreement's warming goals for investment products, and information on the emissions reduction goals of the target companies.

ADDITIONAL INDICATORS RELATED TO SOCIAL AND EMPLOYEE MATTERS, RESPECT FOR HUMAN RIGHTS, AND ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Indicators applied to investments in companies we invest in

Sustainability indicator describing the level of harm		Metric	Impact 2023 ** ***	Impact 2022	Description	Measures taken and the measures planned and goals set for the next reference period
Human rights	14. Number of cases identified that relate to severe human rights issues and violations	Number of cases related to severe human rights issues and violations connected to companies we have invested in on the basis of a weighted average	0 (97.62%)			<b>ESG analysis:</b> Investment screening seeks to identify investment options that have a significant number of identified cases related to human rights violations, and if need be, we will start monitoring the company more closely.

\* Data source MSCI

\*\* The number in brackets indicates how extensive the data is (%)

\*\*\* The results were calculated as an average of quarters

\*\*\*\* The impact has been calculated based on the owned investment products and current net values at the end of the reference period.

### 3 Description of the operating principles for identifying and prioritising principal adverse sustainability factors

The operating principles for identifying and prioritising the principal adverse sustainability factors applied in OP Financial Group (including the cooperative banks) are described below.

The Board of Directors of Tervolan Osuuspankki has approved the operating principles for identifying and prioritising the principal adverse sustainability factors in its investment decision-making 16.5.2023. The cooperative banks offering discretionary asset management have outsourced their investment operations to OP Asset Management Ltd (later "OP Asset Management"), and thus OP Asset Management is responsible for the investment decisions of the discretionary model portfolios for the cooperative banks. The need to update the principles is assessed annually.

#### 3.1 Information on how the responsibility for the implementation of these operating principles has been distributed in the strategies and methods of organisations

OP Asset Management has organised responsible investment, including the implementation of these operating principles, in a way that allows appropriate decision-making, monitoring, management of risks and conflicts of interest, and remuneration. These operating principles are approved by the Board of Directors of OP Asset Management. Decisions in line with the priorities are made by the Committee for Responsible Investment of OP Asset Management and by ESG Specialists. The actual implementation of ESG strategies happens on a case-by-case basis by ESG Specialists or portfolio managers and as cooperation.

#### 3.2 Methods

**Regular screening of adverse sustainability impacts:** Principal adverse sustainability impacts are analysed regularly by ESG Specialists by screening the investment products with the help of sustainability indicators describing the level of harm, presented in Table 1. If screening reveals investment options with significant principal adverse impacts on sustainability in comparison to its peers and if the said PAI indicator is deemed essential for the company, the company will be monitored more closely and excluded, if necessary. Also, a process to influence the company's behaviour can be started. The funds' investments are also screened regularly for violations of international standards using an external service provider's analysis. If a standard violation is detected, the preferred option is to influence the company's behaviour. If that is impossible or unsuccessful, the company may be removed from the fund portfolio and placed on the list of exclusions. Identified standard violations and their related engagement processes are reported twice a year in connection with shareholder engagement reporting.

**ESG analysis:** Investment operations use ESG indicators and an ESG analysis of the investment options that considers how relevant sustainability factors are per field of operation. These help with prioritising and identifying which adverse sustainability impacts are the most relevant for each investment option.

**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](http://www.op.fi/responsible-investing).

**General meetings of shareholders:** OP Fund Management Company, OP Asset Management and OP Life Assurance Company participate in shareholders' meetings in Finland and abroad, in accordance with the shareholder engagement principles, which take into account the responsibility perspectives. Voting at the general meeting applies only to certain funds managed by OP Fund Management Company.

**Violation of international norms:** International norms, such as the UN Global Compact, define the minimum level for responsible business. In active direct investments in OP funds, 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 international standards in their operations.

**External asset managers:** OP Asset Management has established minimum criteria, which the external asset managers must comply with regarding the ESG factors. Additionally, the annual review of external asset managers reveals how the external asset managers take the adverse sustainability impacts into account in their investments.

**Real estate:** Adverse impacts on sustainability are regularly assessed by considering the PAI indicators applicable to investments in real estate assets. The indicators apply to risks related to fossil fuels and energy inefficiency, as well as greenhouse gas emissions and intensity of energy consumption. Each fund also has defined sustainability indicators (such as energy class of buildings or environmental certification) which are determined in connection to new investments and reported annually.

### 3.3 The error margin and margin description related to the above methods

Opportunities to identify and analyse the principal adverse impacts related to sustainability factors depend on the availability and quality of information. The information reported by the portfolio companies are primary, but a large part of adverse sustainability impacts concern information that the companies do not yet publish extensively. In addition to the portfolio companies, the applied information comes from third-party information service providers. We continuously strive to improve the quality and coverage of information.

### 3.4 Information sources used

At OP Asset Management, primary data sources are MSCI ESG Research and S&P Trucost, which provide information on topics such as the sustainability risks of the investment options, share of business operations with adverse impacts, climate risks and opportunities. The above service providers use both data reported by companies and estimates based on an assessment model developed by each service provider. The Sustainalytics service provider is used for analysing and monitoring international norm violations. Institutional Shareholder Service (ISS) study is used to support voting at shareholders' meetings.

## 4 Shareholder engagement policies

The principles of shareholder engagement and responsible investment direct advocacy work. The cooperative banks have their respective shareholder engagement principles, which are available online at [www.op.fi/responsible-investing](http://www.op.fi/responsible-investing).

An OP cooperative bank does not directly exercise active shareholder engagement through the equity portfolios it manages. OP Asset Management Ltd's portfolio managers may, in managing their equity model portfolios, meet representatives of companies to obtain additional information about matters such as the company's strategy implementation, operations and essential ESG issues.

OP Asset Management Ltd's ESG experts monitor that the companies we invest in comply with international norms such as the OECD Guidelines or the UN Global Compact. The UN Global Compact principles concern human rights, the environment and anti-corruption measures. International norms define the minimum level for responsible business. If this minimum level is not met, meaning that the company has violated international norms, we begin advocacy work with the company. This advocacy work is linked to item 10 in Table 1. The aim is to exercise influence so that non-compliant companies change their practices and begin to comply with international norms in their operations. Any decision to give up an investment is made on a case-by-case basis, taking the severity and extent of the norm violation into account. The decision is approved/rejected in the Committee for Responsible Investment of OP Asset Management. Exclusion is possible for active direct investments.

OP Asset Management Ltd's ESG specialists may also strive to influence topical and material responsibility matters by participating in the cooperation initiatives of investors. They are used to motivate companies to promote climate action, set emissions reduction targets or improve reporting related to climate and the environment.

At a company's general meeting, an OP cooperative bank as an investment manager has no decision-making power based on ownership unless it has been given a separate authorisation. The client can exercise its voting rights at general meetings or authorise, on its own initiative, the OP cooperative bank to vote on its behalf and give the bank voting instructions. In reality, such authorisation has not been used. OP cooperative banks do not actively attend general meetings. OP Asset Management Ltd's portfolio managers cannot cast votes on behalf of cooperative banks' customers.

## 5 International standards

OP Asset Management Ltd is committed to complying with several international norms, and it uses international frameworks when screening investment options. The methods used take into account the following international standards and conventions:

- UN Global Compact principles (UNGC)
- UN Guiding Principles on Business and Human Rights (UNGPs)
- OECD Guidelines for multinational enterprises
- Conventions of the International Labour Organization (ILO)

The companies we invest in are monitored for compliance with the UN's Global Compact initiative's principles and Guiding Principles on Business and Human Rights, as well as the OECD's Guidelines by using indicator 10 "Violations of the UN's Global Compact principles and

the OECD Guidelines for multinational enterprises” in Table 1. Insofar as direct active investments are made in discretionary asset management, they adhere to OP Asset Management Ltd’s exclusion list, and companies are screened for violations of international norms. OP Asset Management uses an external service provider Sustainalytics, which analyses companies potential violations of international standards and determines the level and severity of the violations. Sustainalytics monitors and reports on companies that have been found to violate international norms or that are on the company’s watchlist due to suspected norm violations. The analysis covers more than 20,000 investee companies globally.

## 5.1 Paris Agreement

OP Asset Management is committed to promoting the Paris climate goals and achieve net zero emissions from investments by 2050. A concrete interim goal is our target to halve the total CO<sub>2</sub> intensity of OP funds by the end of 2030 compared to 2019. The interim goals do not apply to discretionary asset management portfolios. However, portfolio managers may in the work use climate metrics when analysing the companies we invest in. The key indicators for identifying the climate risk related to companies we invest in include greenhouse gas emissions (Scope 1, 2 and 3), carbon footprint, and greenhouse gas intensity.

High-quality and extensive data is required for climate analysis in investment operations. Investment operations use their own ESG tool as part of company-specific or sectoral analysis. In addition to greenhouse gas emissions, this contains climate metrics and indicators from external service providers (MSCI, S&P Trucost), which allows the modelling of the warming goals of the Paris Agreement in investment portfolios, for example. The modelling uses the 1.5°C scenario of the Intergovernmental Panel on Climate Change (IPCC) and the NZE 2050 scenario of the International Energy Agency (IEA). To limit climate risks, OP Asset Management has currently excluded all direct, active investment in companies where over 20% of production’s turnover is dependent of coal or coal-based energy. The use of coal will be discontinued gradually by 2030.

## 6 Historical comparison

The cooperative banks issued a notification concerning reference period 1 January 2022–31 December 2022 as part of OP Financial Group’s joint statement on the principal adverse sustainability impacts. The historical comparison will therefore be performed in June 2025 at the earliest.