Information for investors

Valid as of 30 December 2022.

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 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) 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 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, Swedish and English with certain restrictions.

1.5 Contact

The client may place an order regarding financial instruments orally, in writing, by email, 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, in a standard way applicable to the service or in another way agreed with the client separately. The client acknowledges that using email to communicate, in case its use has been agreed upon, involves special risks, i.e. 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 orders received by email will be true and correct.

1.6 Client categorisation

OP Asset Management categorises its clients as retail clients, professional clients or eligible counterparties. The client has the right to request in writing a recategorisation of their status. If the client is categorised as a professional client or eligible counterparty, 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 portfolio 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 run 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 private clients. Investment advice also includes the provision of personal recommendations concerning insurance products of OP Life Assurance provided by OP cooperative bank.

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) in such a way that OP Asset Management's product range includes products complying with any sustainability preferences defined by the client, in other words, financial instruments 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 unit-linked insurance, go to op.fi/investment-prices. For more information on financial instruments available for Individual Unit-linked Insurance and Individual Capital Redemption Contract, contact OP Asset Management. 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 in the OP Fund Management Company annual report and on the websites of other fund management companies.

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

5.1 Mutual fund units

Domestic fund units held by clients are kept in the name of the clients in the fund register of the mutual fund in question. 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 mutual fund's assets are kept separate from the assets of other mutual funds, the fund management company and the custodian.

Custody of foreign mutual fund units differs from that of domestic mutual fund units. Clients' mutual fund units in the mutual funds of OP Asset Management's foreign partners can be kept in custody in the register maintained by the mutual fund concerned or UCITS in the country where the mutual fund has been registered, either in the name of OP Asset Management for the client's account or in the name of an external custody for the account of OP Asset Management (nominee registration), and the client's holdings in foreign mutual fund units 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 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. The terms and conditions of a separate agreement governing securities custody specify OP's responsibility. 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, i.e. 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 determining proportional shares subsequent to corporate actions and separating assets of a company in a state of bankruptcy or other default, as well as in connection with situations such as errors 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 face of any potential bankruptcy or other insolvency the client's securities are not necessarily separable from the assets of OP or the sub-custodian selected by OP.

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 the omnibus account, the client's financial instruments may be subject to the right of collateral or setoff on the basis of obligations other than those of the client, too.

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

6 Financial instruments and associated risks

The characteristics of financial instruments and risks associated with them are described in Appendix 3 and Appendix 4.

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 August 2022.

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 or producer of investment or ancillary services, OP Financial Group's personnel or a client or a group of clients may have an interest related to the service offered that deviates from the client's best interests.

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 market operations. Credit institutions and investment firms may, for example, trade in securities for their own account or for account 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) OP Financial Group's executive or employee or a person directly or indirectly linked to an OP Financial Group entity by control may obtain an undue financial gain or avoid a financial loss at the client's expense;

b) OP Financial Group's entity, function or the abovementioned person has an interest differing from the client's interests relating to the service provided to the client or the result of the transaction executed for the client's account;

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

d) OP Financial Group's entity or the abovementioned person is engaged in the same business as the client;

e) OP Financial Group's entity or the abovementioned person receives an inducement related to the service and permitted by regulation, from a party other than the client, 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 when 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. An OP Financial Group entity must always act – also in a conflict-of-interest situation – in the interests of the client, provide products and services independently and objectively and keep client details confidential.

OP Financial Group prevents any potential conflicts of interest from arising and manages conflict-of-interest situations, for example, by providing a set of internal instructions and training opportunities, using stand-alone information systems, restricting access rights, separating premises from one another and complying with confidentiality rules within the organisation too. 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 restricted their exchange of information.

For the purpose of preventing and controlling conflicts of interest, OP Financial Group has in place guidelines regulating transactions applying to the Group's relevant persons and their closely associated persons. 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 membership of the management 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 as well as risks to which the client is subject and measures taken to mitigate risks. Such information must be provided before the execution of a transaction for 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 this 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 commission or fee to a third party, or receive a commission or fee 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 or clearing 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. Fees 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 OP Asset Management, a fee or commission related to the provision of insurance products.

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 a 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, equally 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 reports 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 8 March 2021

1 Introduction

This document lays down the operating principles with which OP Asset Management complies in receiving and transmitting orders for financial instruments made by retail and professional clients and transmitting orders related to investment management provided by OP Asset Management to obtain the best possible result for the execution of client orders.

OP Asset Management uses OP Corporate Bank plc to execute orders made by clients and related to asset management it offers, to which OP Asset Management transmit orders received from the client and orders related to asset management. In these OP Asset Management's client orders, OP Corporate Bank plc applies its own Best Execution Policy.

As distinct from the above, OP Asset Management transmits client orders regarding mutual funds managed or distributed by OP Fund Management Company Ltd. A list of the mutual funds concerned is available from OP Financial Group's banks and at op.fi. OP Asset Management transmits orders for execution other than those for mutual funds managed by OP Fund Management Company Ltd and international mutual funds. The abovementioned executors of orders may either themselves execute the order or transmit the order for execution not only to the main trading venues but also to MTFs[1], other intermediaries, systematic internalisers, market makers and other liquidity providers.

All Best Execution Policies in place at any given time in OP Financial Group can be found at https://www.op.fi.

2 Factors to be considered in the best execution of orders, and their relative importance

The best possible result in the execution of an order is always determined by the total consideration. The total consideration consists of the factors mentioned below. The following factors are taken into account in the execution of orders and in the selection of the execution method, trading venue or OTC[2]counterparty, in this order of importance:

1) Price of the financial instrument
2) Characteristics of the financial instrument
3) Size and nature of the order
4) Execution speed
5) Likelihood of execution and settlement
6) Costs related to trade execution and settlement

OP seeks to execute orders for financial instruments at the best possible price. The direct effect of the order execution on the price of a financial instrument will also be taken into account in assessing the price. If a certain product is traded only on one trading venue or only one party in the market quotes prices in OTC trading, the price will come directly from the trading venue or the OTC counterparty concerned.

[1] MTF stands for "Multilateral trading facility".
[2] OTC (Over the Counter) means trading between two parties outside a regulated market, see section 4.2.

The liquidity of a financial instrument varies by financial instrument. Various financial instruments are traded on trading venues or with an OTC counterparty. The trading method has an effect on price determination and on how the order affects the market price. These include the characteristics of the financial instrument that affect the method of executing the order.

The size and nature of the order and the abovementioned characteristics of the financial instrument together have an effect on the way how the order will be executed.

The order execution speed is relevant to the price fluctuation and price determination of the financial instrument and has an effect on the way how the order will be executed.

In respect of trading venues and OTC counterparties, the likelihood of execution is assessed as part of the regular assessment of the quality of order execution. The likelihood of settlement is assessed by monitoring the settlement capability of used trading venues and used intermediaries as well as OTC counterparties.

Costs related to transaction execution and settlement incurred by the client have an effect on in what trading venue the order will be executed.

In case OP Financial Group executes orders in part or in full in such a way that an OP Financial Group entity acts itself as the client's counterparty or directly against the order of another client, it is necessary to ensure that the price reflects the current market situation.

OP Asset Management has assessed that it regularly receives the best total consideration from the client's perspective when it transmits orders for execution to OP Corporate Bank plc. For example, cost-savings related to charges for settlement and the information systems enabling the real-time transmission and monitoring of orders have an effect on how advantageous the total consideration is to the client. In addition, this enables, for example, the efficient and fast execution of transactions of a large number of clients in the best interests of OP Asset Management's client.

3 Instructions issued by the client

If the client issues special instructions related to an order or a certain part of it, OP Asset Management will primarily follow such instructions. The client's special instructions may prevent OP Asset Management from complying with these operating principles, or limit its compliance with the principles, and from achieving the best possible total consideration to the client.

4 Orders transmitted to OP Corporate Bank plc

4.1 Trading in equities and other financial instruments on a regulated or multilateral trading facilities (MTF)

This section deals with financial instruments traded on stock exchanges or multilateral trading facilities (MTF). These financial instruments typically include equities, warrants, certificates, certificates of deposit, ETFs[3], ETNs[4]and ETCs[5].

Orders will be executed on trading venues which, based on assessments, typically provide the best total consideration from the client's perspective. Orders for financial instruments, such as equities traded on several trading venues, are executed using the SOR service[6]for those financial instruments where this is

[3] An ETF stands for an "exchange-traded fund", or a fund traded on a trading venue.
[4] An ETN stands for an "exchange-traded note", or a debt security traded on a trading venue.
[5] An ETC stands for an "exchange-traded commodity", or a commodity traded on a trading venue.
[6] SOR stands for "Smart Order Routing". The SOR service used by the order executor seeks the best price not only from the major trading venues but also from other trading venues, such as MTFs.

possible. If using the SOR service is not possible or in the client's best interests, the order will be executed on the major trading venue.

If a financial instrument specified in this section is listed on a regulated market, the client order will primarily be executed on either a stock exchange and/or via an MTF. With the consent of the client, the order may be executed outside regulated markets or MTFs, in other words, over the counter (OTC).

OP Corporate Bank plc or another OP Financial Group entity will not act as a systematic internaliser with financial instruments specified in this section.

4.2 Trading in financial instruments outside stock exchanges or trading venues (OTC)

Financial instruments specified this section are normally traded only outside trading venues (stock exchange, MTF and OTF[7]), in order words, between two parties to trade (OTC trading). It is also possible that these financial instruments are traded also on a regulated market, multilateral trading facilities (MTF) or organised trading facilities (OTF) or that trading activity varies between these facilities. The channels through which the financial instruments specified in this section shall be traded are monitored and assessed to achieve the best total consideration to the client. The list in section 6 provides information on the trading venues in use.

The financial instruments referred to in this section typically include:

- bonds and money market instruments, such as government bills, certificates of deposit, commercial papers, local authority papers and Euro Commercial Papers (ECPs)
- OTC derivatives, such as interest rate derivatives, credit derivatives, currency derivatives, equity derivatives, securitised derivatives, commodity derivatives
- Structured investment products, such as structured bonds issued by OP Corporate Bank plc
- Contracts for difference
- Emission allowances
- Other similar instruments

If a financial instrument is not traded on a trading venue or is not regularly traded on a trading venue, the order will be executed outside the trading venue over the counter (OTC).

In such a case, either a reference or binding quote will be sought to the client from a third party that engages in OTC trading in the financial instrument concerned. If several OTC counterparties make quotes for the financial instrument, quotes will be sought from several OTC counterparties and the transaction will be done with the OTC counterparty with which the best total consideration is assessed to achieved from the client's perspective. Thereafter, an agreement will be concluded either in a way that the binding quote made by the OTC counterparty is accepted or the OTC counterparty confirms the price, after which it will be accepted, and other terms and conditions of the transaction will be agreed on with the OTC counterparty. In these cases, the client's order will be executed by entering into an agreement with a third party.

If only an OP Financial Group entity makes a quote for the financial instrument, the transaction will be done at a justified price reflecting the market situation. The price is based on the available external reference prices applicable to the financial instrument in question, in addition to which the entity also takes account of the costs of equity, counterparty risk and any costs arising from the market risk exposure that may result from the instrument being created or being offered to the client.

[7] OTF stands for "Organised Trading Facility", which is not a regulated market or an MTF.

5 Combining 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 combined either with orders received from other clients, trading interests or with OP Financial Group's own transactions. Such combination may take place only if the order executor believes that it is unlikely that the combination as a whole would harm the client. However, combining orders and trades 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 operating principles mentioned herein, if deemed necessary.

6 Trading venues, the intermediaries used, and OTC counterparties

A list of trading venues, the most important intermediaries and the OTC counterparties used at any given time is available by instrument type at https://www.op.fi/.

It is assessed that the best possible total consideration to the client can be achieved on the listed trading venues, intermediaries and OTC counterparties.

7 Assessing and monitoring order executionprinciples and order execution quality

OP assesses and monitors the appropriateness of its best execution policy on a regular basis, at least once a year. Such monitoring is aimed at improving and enhancing the execution arrangements. This also includes the assessment of the trading venues, intermediaries and OTC counterparties used in order to achieve the best total consideration from the client's perspective.

Furthermore, regular monitoring involves how markets develop and where trading in various financial instruments takes place at any given time. 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 instrument. 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. The methods of assessing the quality of the order execution principles are also subject to regular monitoring as part of OP Financial Group's internal control.

Information on financial instruments and associated risks

Valid as of 30 December 2022.

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 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 appropriateness of the financial instrument to the intended purpose in changing circumstances. The investor must take into account that when inflation is higher than the investment return, the real return of the investment may be negative, even if the nominal return is positive.

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 entitles 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 investment involves the risk of losing all 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 business 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 tied-up 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 the 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 associated 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 components: 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 in 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 a case, 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, i.e. risk of the issuer failing to repay interest and principal in accordance with the bond/note terms and conditions. Clearing and settlement risk refers to a risk of 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-term 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 price 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 on the bond/note. It is also possible that the issuer does not make the aforementioned commitment. 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 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 changes 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 are in large number 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 lower liquidity, debenture loans generally earn higher interest than other bonds/notes. 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 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 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 too are typically higher than those of the 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 change 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 swap

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 the bigger 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, contract period, market interest rate volatility and 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 its worth during the contract period. The longer the remaining contract period, the higher is 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 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 involved, the higher 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 transaction (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 of its 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, 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 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 is 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. The risk of loss may be unlimited under certain derivative strategies.

In addition to the underlying asset's change in value (market risk), e.g. 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 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 customer'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 contracts, clients may be saddled with financial commitments or obligations other than the acquisition cost and the acquisition may involve the necessary collateral or other obligations. Since the derivative contract's value may undergo rapid and drastic changes, supplementary collateral may be required to cover collateral shortfall. It is also possible that the collateral must 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 (aka 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. The 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 in 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 method 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 anytime before 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; 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, 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, i.e. the value decreases slightly even if all other changing 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 vis-à-vis 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. 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.

Risk resulting from the price movement of an underlying asset has been sought to reduce by means of the knock-out barrier. After hitting 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 the early expiration of the turbo warrant. Turbo warrants, like regular warrants, may also expire worthless on their exercise date. The life 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 offer orders. Warrant prospectuses contain the market-making terms and conditions, which may vary considerably by issuer and warrant. The low market-making amount and level and especially the lack of market making 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 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, the terms and conditions and the product's principles, details (e.g. knock-out barrier) and associated risks. You can find warrant prospectuses and other more detailed information on warrants on the issuers' website.

Mutual funds

Investments in the financial instruments and their combinations described above can be made through mutual funds, in addition to direct investments in these instruments. Mutual funds are owned by their investors in proportion to the units they hold in the fund. Responsible for managing mutual funds, fund management companies pool capital invested by private persons and institutions and invest this capital in a number of various securities that constitute the mutual fund.

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

The fund rules contain objectives and restrictions set for investment. According to the chosen instrument, mutual funds can be classified as equity funds, balanced funds, long-term fixed income funds, intermediate-term fixed income funds and short-term fixed income funds. There are also e.g. commodity funds, convertible bond funds and corporate bond funds. Most mutual funds follow risk diversification principles in their investment policy, but funds deviating from such principles are called special common funds. In addition to traditional funds that are more flexible than other funds with respect to investment restrictions, these funds include capital protection funds aimed at safeguarding capital invested, as well as hedge funds which use derivative contracts (options and forwards) in their investment operations. Some special common funds are intended for professional institutional investors only. 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).

Fund management companies must redeem fund units from investors on demand. Expenses such as management and custody fees, which vary depending on the mutual fund, are charged from the mutual fund's assets and specified in the Key Investor Information Document.

The mutual fund's risk level depends on the fund's investment strategy. Diversifying investments among several instruments independent of one another reduces the fund's overall risk relative to an individual instrument thanks to diversification benefits. In the main, mutual funds remain liquid on a daily basis, but their 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. In addition, the redemption of units in special common funds may be possible only on certain dates, such as once a month or less frequently. Moreover, changes in foreign exchange rates have an effect on the value of funds denominated in a foreign currency.

Funds that have been diversified effectively are not as sensitive to drastic value reductions as direct individual investments in the same asset class. Similarly, the value of diversified funds typically fluctuates much less than the value of individual investments in the same asset class. 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.

You can find the specific characteristics and risks of an individual mutual fund in the fund's Key Investor Information Document. Before investing in a mutual fund, investors should read the content of the Key Investor Information Document, the fund's rules and the list of charges and fees.

An Exchange Traded Fund (ETF) is a fund traded in a regulated market (on a stock exchange or an equivalent trading facility) and tracks the performance of a selected index or another underlying asset. Bid and ask prices change in the same ways as share prices. Trading in ETFs in a regulated market is similar to that in equities. Trading outside regulated markets is also possible. Liquidity is determined, for example, on the basis of the underlying asset.

There are various ETF structures which vary by issuer. Market, credit, currency and counterparty credit risks are associated with ETF products. The risk level of the products varies by investment strategy and investment vehicles in the same way as that of mutual funds. Market risks are associated with the price performance of the underlying asset, invested capital may fall and in theory it may be lost altogether. It is necessary to take account of currency risks with respect to the underlying asset's currency and the quotation currency. Credit risk associated with certain structures (ETN) pertains to the issuer's repayment capacity. Issuers aim to manage counterparty credit risks associated with products by setting various collateral requirements. 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 country.

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

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 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 underlying asset's currency 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.

Financial services taxes

Investors should pay attention to the fact that buying, owning and selling financial instruments result 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 themself or the company they own.

Definitions

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

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

Currency risk
Currency risk results from exchange-rate fluctuations.

Counterparty risk

Risk of 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.)

Settlement risk

Risk associated with trading, in other words, a counterparty does not deliver a security or its value in cash as per agreement.

Volatility

The standard deviation of the annualised returns over long-term annual returns.

Information on how we consider sustainability risks

Valid as of 30 December 2022.

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 the environmental, social and governance (ESG) factors provides further information, in addition to the conventional financial and market data. Material sustainability risks may in the long run affect the financial performance of investments and, thereby, the obtained return. 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.

There is no widely accepted measurement method or model to calculate the impact of sustainability risks on the return of the financial products. At present, OP Financial Group does not carry out a detailed assessment of the impacts of sustainability risks on the returns of offered financial products. 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, by the following measures:

- Exclusion: The funds exclude, from their active direct investments, controversial weapon manufacturers, 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, 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. 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. 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 norms in their operations.
- External asset managers: OP has established minimum criteria, which the external asset managers must comply regarding the ESG factors. Additionally, the annual review of external asset

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

– Utilising ESG data in the 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 emphasise companies with better ESG assessment and exclude companies with poorer ESG assessment.

Consideration of sustainability risks in investment and insurance advice

OP cooperative banks and OP Retail Customers plc

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

OP cooperative banks and OP Retail Customers plc provide investment advice regarding funds and discretionary investment management agreements managed by OP Fund Management Company Ltd and OP Real Estate Asset Management Ltd, as well as insurance products of OP Life Assurance Company Ltd. OP Asset Management or OP Real Estate Asset Management typically act as portfolio managers for these products. 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.

According to regulations, detailed information on the ESG factors of funds must be provided in the fund prospectus.

Other products (for example, shares)

Sustainability risks involved in other products have not been integrated in the investment advice process.

OP Asset Management Ltd

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

OP Asset Management provides investment advice regarding funds managed by OP Fund Management Company and OP Real Estate Asset Management, the insurance products of OP Life Assurance Company, and the products and services of OP Asset Management, including the discretionary investment management service. OP Asset Management or OP Real Estate Asset Management typically act as portfolio managers for these products. 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.

According to regulations, detailed information on the ESG factors of funds must be provided in the fund prospectus.

Other products (for example, shares)

Sustainability risks involved in other products have not been integrated in the investment advice process.

OP Life Assurance Company Ltd

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

OP Life Assurance Company's products are provided by OP cooperative banks, OP Retail Customers and OP Asset Management that act as agents of OP Life Assurance Company. The agents provide insurance advice on the insurance products of OP Life Assurance Company and on investments that can be linked to them, such as the funds of OP Fund Management Company or OP Real Estate Asset Management, investment baskets managed by OP Asset Management or structured products issued by OP Corporate Bank. 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.

According to regulations, detailed information on the ESG factors of funds must be provided in the fund prospectus.

Other products (for example, shares)

Sustainability risks involved in other products have not been integrated in the investment advice process.

Acknowledging sustainability risks in discretionary investment management

Discretionary investment 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 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. OP Asset Management investigates the active ownership policies of the ETF and index fund managers it uses. Whenever other decision-making criteria (such as compatibility with investment universe and cost structure) are equal, ETFs with more responsible active ownership policies are preferred.

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

In discretionary investment management, the primary adverse impacts on sustainability factors are taken into account when the investment targets are funds managed by OP Financial Group companies, where the primary 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 primary 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.