



Operating principles governing the
execution of orders

OP Asset Management Ltd

Best Execution

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OP Asset Management's Best Execution Policy

1 Introduction

This document lays down the operating principles OP Asset Management complies with 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 other than those for mutual funds managed by OP Fund Management Company Ltd and international mutual funds for execution. The abovementioned executors of orders may either execute the order themselves or transmit the order for execution not only to the main trading venues but also to MTF¹s, 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 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 OTC² 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 OTC counterparty concerned.

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 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.

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.

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 partly 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 a large number of client transactions 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 market 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, ETFs³, ETNs⁴ and ETCs⁵.

Orders will be executed on trading venues on which the best total consideration is assessed to be regularly received from the client's perspective. Orders for financial instruments, such as equities traded on several trading venues are executed using the SOR⁶ service for the financial instruments for which this is possible. If using the SOR service is not possible or in the client's best interests, the order will be executed on the main trading venue.

If the 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, i.e. 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 Financial instruments traded outside stock exchanges or trading venues (OTC)

Financial instruments according to this section are normally traded only outside trading facilities (stock exchange, MTF and OTF⁷), or between two parties to trade (OTC trading). It is also possible that these financial instruments are traded also in a regulated market, multilateral trading facilities (MTF) or organised trading facilities (OTF) or trading activity varies between these facilities. To achieve the best total consideration to the client, it is monitored and assessed where the financial instruments under this section shall be traded. The list in section 6 provides information on the trading facilities 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

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 not only the major execution venues but also the best price from other trading venues, such as MTFs.

⁷ OTF stands for "Organised Trading Facility".

If a financial instrument is not traded on a trading facility or is not regularly traded on a trading facility, the order will be executed outside the trading facility 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 more OTC counterparties and the transaction will be done with the OTC counterparty with which the best total consideration is assessed to be 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.

5 Combining orders and trades, and action in exceptional circumstances

An order or trade may be executed in parts using one or several trading facilities or methods. The order or trade may be combined either with orders 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 facilities or trading systems, it may be possible to deviate from the operating principles mentioned herein, if it deems it necessary.

6 Trading venues, used intermediaries 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 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 execution principles and order execution quality

OP Financial Group 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 bank's execution arrangements. This also includes the assessment of used trading venues, intermediaries and OTC counterparties 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 instruments. 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 used procedures regarding trading and the quality of order execution is subject to regular assessment. 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.