Information for investors

Valid as of 26 April 2023

This document contains information that must be provided to the client in accordance with regulation governing investment services binding on OP Corporate Bank plc (OP Corporate Bank) as well as with regulations and instructions issued by the relevant authorities. You can find more detailed information on each service or product 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 about OP Corporate Bank

OP Corporate Bank trades in securities on its own account and issues financial instruments in its name. OP Corporate Bank may also provide services related to the transmission of orders, execution of orders, arrangement and underwriting of issues, arrangement of crowdfunding, securities issues and underwriting and investment and financing advisory services related to financial instruments, prepares and distributes investment research, and sells, buys and brokers securities on behalf of its clients. In addition to investment services, OP Corporate Bank may provide ancillary investment services.

OP Corporate Bank holds a licence, under the Act on Credit Institutions, authorising it to provide investment and ancillary services as referred to in regulation governing investment services.

1.2 Regulator

Supervisory authority that supervises OP Corporate Bank's operations within the powers vested in it:

Finnish Financial Supervisory Authority
Snellmaninkatu 6, P.O. Box 103
FI-00101 Helsinki, Finland
Phone +358 9 183 51

www.finanssivalvonta.fi

Supervisory authority that supervises OP Corporate Bank's operations and acts as the licencing authority:

European Central Bank
Sonnemannstrasse 20
DE-60314 Frankfurt am Main
Germany

1.3 Contact information

OP Corporate Bank's contact information is available at www.op.fi.

1.4 Languages available for the service

Finnish and Swedish. English with certain restrictions.

1.5 Contact

The client may place an order for financial instruments orally, in writing, through OP's digital services, in a standard way applicable to the service or in another manner separately agreed on with the client.

OP Corporate Bank has the right to send the client written information related to the service or order by letter, through OP's digital services, by email or fax, in a standard way applicable to the service or in another way separately agreed with the client. The client accepts that using OP's digital services or other electronic media, such as email or fax – in case its use has been agreed upon – involves special risks. For example, the message will possibly not 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 Corporate Bank has the right to trust the authenticity and validity of the order it has received through OP's digital services or other electronic media.

1.6 Client categorisation

OP Corporate Bank categorises its clients either 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, they will not be covered by the protection provided by the Investors' Compensation Fund mentioned below. In such a case, 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 which products and services OP Corporate Bank provides to its clients and on the extent of OP Corporate Bank's obligation to provide and request information in relation to the investment service or financial instrument provided to the client.

OP Corporate Bank will send the client a separate notification of client categorisation and the effects of categorisation.

2 Information on investment services provided by OP Corporate Bank

OP Corporate Bank provides its clients with services for receiving and transmitting orders given by the client, execution of orders on behalf of the client, investment advice related to OTC derivatives, foreign exchange services and investment research. OP Corporate Bank may also trade on its own account. OP Corporate Bank also provides services for arrangement and underwriting of issues. In addition to investment services, OP Corporate Bank may provide ancillary investment services.

In giving investment advice, OP Corporate Bank makes personal recommendations to the client on transactions involving financial instruments. OP Corporate Bank does not offer independent investment advice as referred to in the applicable regulations – its recommendations to the client cover a limited range of derivatives in which OP Corporate Bank may act as the counterparty. Such advice from OP Corporate Bank is one-off in nature and the bank will expressly inform the client of when it is giving investment advice. OP Corporate Bank does not offer clients regular suitability assessments for the recommended financial instruments.

When OP Corporate Bank provides its client with investment advice, it will ask the client for information about the client's financial standing, including tolerance to bear losses, investment experience in and knowledge of the financial instrument concerned, the client's investment objectives, including the risk limit, and the client's possible sustainability preferences, in accordance with 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 assessment for the client, because OP Corporate Bank can recommend financial instruments and services suitable for the client only on the basis of this information.

For a more detailed description of the consideration of sustainability risks in investment advice, see Appendix 4.

When OP Corporate Bank provides investment services other than investment advice or investment management, it must ask the retail client for information on their investment experience and knowledge of the financial instrument or investment service concerned before providing the service in order to be able to assess whether the planned financial instrument or service is appropriate for the client. In such a case, OP Corporate Bank will not assess the suitability of the financial instrument or service for the client's individual circumstances. It is in the client's best interests that the information given by the client for the assessment is up to date, accurate and complete.

If the investment service only entails executing or receiving and transmitting the client's orders, takes place at the client's request and concerns a simple financial instrument, the service can be provided without assessing the appropriateness of the client's investment knowledge and experience. In such a case, OP Corporate Bank is not obliged to assess whether the service or financial instrument is appropriate for the client when providing the service.

3 OP Corporate Bank's conflict-of-interest policy applicable to investment and ancillary services

In its investment and ancillary services, OP Corporate Bank complies with the Conflict-of-interest Policy, see Appendix 1.

4 Order execution policy

OP Corporate Bank complies with the Best Execution Policy, see Appendix 2.

5 Information on custody of client assets

5.1 Cash and cash equivalents

Custody of client assets is subject to a custody agreement signed between the client and OP Corporate Bank in all cases other than issues. In the context of issues, OP Corporate Bank or a third party acting as payment intermediary keeps the client's cash in a separate client asset account.

5.2 Mutual fund units

OP Fund Management Company Ltd's mutual fund units are kept in the fund unit register maintained by OP Fund Management Company Ltd. 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. OP Custody Ltd serves as a custodian for domestic mutual funds managed by OP Fund Management Company Ltd. 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. Mutual fund units subscribed for by clients within foreign partners' mutual funds distributed by OP Fund Management Company Ltd are kept in a foreign fund management company for clients in the name of OP Custody Ltd. OP Custody Ltd keeps securities accounts for each unitholder. With respect to foreign mutual fund units purchased via a fund management company other than OP Fund Management Company Ltd, it is necessary to ascertain what bank or investment firm operating in Finland manages the client's mutual fund units abroad. Foreign mutual fund units may involve political, economic, legal, tax-related and other unforeseeable risks which will be borne solely by the client.

5.3 Other financial instruments

OP Custody Ltd or another OP Financial Group service provider (collectively OP) serves as the custodian for the client's financial instruments. Custody of financial instruments is subject to a separate agreement on custody of securities.

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 sub-custodian. OP's responsibility is specified in the terms and conditions of a separate agreement governing the custody of securities.

The client's financial instruments may be kept in an omnibus account, which means that several clients' securities and/or securities of OP or a sub-custodian it has selected, 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. In such a case, in the event of any potential

bankruptcy or other insolvency the client's securities are not necessarily separable from the assets of OP or the sub-custodian it has selected.

The client's foreign securities are generally kept in accounts managed by a domestic or foreign sub-custodian selected by OP, which are governed by local legislation. Therefore, the client's rights related to said securities may differ from those related to domestic securities with respect to matters such as clearing and settlement, account entries, investor protection and other legislation. With respect to foreign securities, OP keeps securities accounts for each client. A securities account refers to sub-accounting maintained by the bank for how ownership of securities managed by the sub-custodian is divided among the bank's clients.

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 client's financial instruments and cash assets. 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.

7 Recording of telephone conversations, discussions and electronic communication

To document orders, OP Corporate Bank is obliged to record telephone conversations with the client and record 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 will be handed over to competent authorities at their request, and OP Corporate Bank will store the recordings for at least five years.

The client has a right to request a copy of any such recordings.

8 Notification of execution of order

OP Corporate Bank will notify the client of an executed order for the service or order expiry by providing a written confirmation of it or in another manner separately agreed with the client no later than the trading date following the order execution or expiry date.

The client must notify OP Corporate Bank of any errors without delay upon having received such information. Unless otherwise indicated or agreed upon, the client is regarded as having received information within seven (7) days following the sending of the notification.

OP Corporate Bank will notify the client of any errors without delay upon having received such information.

9 Netting

By virtue of law, OP Corporate Bank has the right to immediately demand for and net the client's payment and execution obligations in the case of the client's default. If the client is a legal person, OP Corporate Bank also has the right by virtue of law to net a receivable from the client that applies to collateral given by the client.

10 Information on the Investors' Compensation Fund and the deposit guarantee scheme

The Investors' Compensation Fund will safeguard retail investors' undisputed claims due for payment if an investment firm or credit institution 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.

In the case of a bank's default, compensation paid to a depositor by the Deposit Guarantee Fund due to the depositor's claims from the bank amounts to a maximum of 100,000 euros.

However, up to the limit of 20,000 euros of a depositor's claims from a bank facing insolvency will be paid from the Investors' Compensation Fund, if these claims are available from:

- the account which can be used only for investment service or custody or asset management service, as per the agreement concluded with the credit institution's or investment firm's investor; or
- the client asset account under the name of the bank or investment firm, as referred to in law.

Claims in the account and claims not yet entered in the account are protected through either the Deposit Guarantee Fund or the Investors' Compensation Fund, in other words, the same assets are not subject to double protection.

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 on their own account or on behalf 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 occur, 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 above-mentioned 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 on the client's behalf;

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

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

e) OP Financial Group's entity or the above-mentioned 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 will apply.

The starting point is that in 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 aims to prevent any potential conflicts of interest from arising and to manage them, for example, by providing a set of internal instructions and training opportunities, using stand-alone information systems, restricting user authorisations, 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 adopted guidelines regulating transactions applying to the Group's relevant persons and persons with whom they have a family relationship or close links. 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 the membership of a governing body 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 above-mentioned 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 executing a transaction on the client's behalf 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 will be delivered using a separate form.

OP Financial Group reviews at least once a year the 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 division/line/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 fee or commission to a third party, or receive a fee or commission 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, 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 and for international mutual funds based on the sales recorded by mutual funds and on client relationship management. The fees are based on fees charged for mutual fund subscriptions, redemptions or management. Commissions 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 Life Assurance Company Ltd may pay to OP Financial Group's branch acting as its agent, such as OP Corporate Bank, a fee or commission related to the provision of insurance products.

OP Corporate Bank may pay to OP Financial Group's member banks or another party a fee for transmitting an order in connection with stock exchange trading. In such a case, the fee is part of the expense charged from the client for the stock exchange transaction. In addition, OP Corporate Bank may pay to OP Financial Group's member banks a fee related to share issues and the sale and issue of structured products.

Those receiving the fees, such as OP cooperative banks, 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.

Inducements such as those described above are not used in discretionary investment management.

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 Corporate Bank's Best Execution Policy

Valid as of 29 March 2023

1. Introduction

This document lays down the operating principles with which OP Corporate Bank plc (OP Corporate Bank) complies in executing or transmitting orders for financial instruments made by retail and professional clients or in making binding or indicative quotes for the client to obtain the best possible result for the execution of client orders. The categorisation of clients into professional and retail clients does not affect the selection of method of order execution or execution venue.

All Best Execution Policies in place 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. OP Corporate Bank considers that the total consideration consists of the factors mentioned below. OP Corporate Bank executes orders in their order of arrival. In executing client orders and selecting the method of execution, the trading venue and any other possible intermediary or OTC[1] counterparty OP Corporate Bank considers the following factors in the stated order of importance:

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

OP Financial Group always seeks to execute client orders 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 on the market quotes prices in OTC trading, the price will come directly from the trading venue or OTC counterparty concerned.

The costs related to transaction execution and settlement incurred by the client affect on which trading venue the order will be executed.

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 are the characteristics of the financial instrument that affect the method of executing the order.

The size and nature of the order and the above-mentioned characteristics of the financial instrument together have an effect on the way in which 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 in which 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 the OTC counterparties.

In special circumstances, OP Corporate Bank may deviate from the order of importance of the above-mentioned factors related to the execution of an order. Such special circumstances may relate, for example, to the particularly large size of an order, illiquidity of the financial instrument, or severe market disruptions preventing OP Corporate Bank from complying with the order of importance of the factors described in this section.

In case OP Corporate Bank executes client orders in part or in full either as the client's counterparty or directly against the order of another client, such client orders can be seen as special instructions not entirely covered by the Best Execution Policy. OP Corporate Bank will nevertheless ensure that the price reflects the current market situation.

[1] OTC (Over the Counter) means trading between two parties outside a regulated market, see section 4.2.

OP Corporate Bank does not consider the Best Execution Policy to apply to situations in which the client requests for quotes for a financial instrument from several different market operators in an electronic channel simultaneously. Usually, several market operators provide quotes in the electronic channel simultaneously, and the provided quotes are transparent to clients.

3. Instructions issued by the client

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

4. Financial instruments and trading venues

4.1 Trading in equities and other financial instruments traded on a regulated market or a multilateral trading facility (MTF[2])

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].

OP Corporate Bank executes client orders on trading venues that, based on its assessment, provide consistently the best possible total consideration for the client. OP Corporate Bank does not act as a systematic internaliser with financial instruments specified in this section.

When executing orders, OP Corporate Bank may use other intermediaries through which it has assessed that it can obtain the best total consideration for the client. OP Corporate Bank carefully selects the intermediaries it uses, placing an emphasis on the factors referred to in this policy. Such intermediaries may execute orders or transmit orders for execution not only to the main trading venues but also to MTFs, other intermediaries, systematic internalisers, market makers and other liquidity providers.

4.2 Trading outside stock exchanges or trading venues (OTC)

Financial instruments specified this section are normally traded only outside trading venues (stock exchange, MTF and OTF[6]), in order words, between two parties to a 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. For a list of the trading venues used, see section 6.

The financial instruments referred to in this section typically include:

- bonds and money market instruments (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;
- contracts for difference;
- emission allowances; and
- other similar instruments.

If a financial instrument is not traded on a trading venue or is not regularly traded on a trading venue, or an order is not executed due a reason attributable to the client or with the client's consent, the order will be executed outside the trading venue over the counter (OTC). In such a case, OP Corporate Bank usually makes its clients either an indicative or a binding quote for the financial instrument. Subsequently, the parties conclude an agreement either in such a way that the client accepts OP Corporate Bank's binding quote or OP Corporate Bank confirms the price to the client, after which the client either accepts it as such or OP Corporate Bank and the client agree on other conditions for the transaction. In cases like these, OP Corporate Bank does not execute the order for the client but makes an agreement with the client instead.

[2] MTF stands for "multilateral trading facility".
[3] ETF stands for an "exchange-traded fund", or a fund traded on a trading venue.
[4] ETN stands for an "exchange-traded note", or a debt security traded on a trading venue.
[5] ETC stands for an "exchange-traded commodity", or a commodity traded on a trading venue.
[6] OTF stands for "Organised Trading Facility", which is not a regulated market or an MTF.

If OP Corporate Bank concludes an agreement for a financial instrument with the client, it will execute the related transaction on its own account 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 OP Corporate Bank 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, action in exceptional situations, and the right not to execute an order

OP Corporate Bank may execute an order or a trade in parts, using one or several trading venues or methods. An order or a trade may be combined either with orders from other clients, trading interests or with OP Corporate Bank's own transactions. Such combining may take place only if OP Corporate Bank 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 when there are disturbances on trading venues or in OP Corporate Bank's trading systems, or in exceptional market conditions that OP Corporate Bank cannot reasonably influence, OP Corporate Bank may deviate from the operating principles explained in this policy if deemed necessary. In such cases, OP Corporate Bank will seek, by every possible means, to execute the order in an alternative way to the client's best interests and under the best possible terms from the client's perspective.

OP Corporate Bank retains the right to refuse to execute an order at any time and for any reason. Also, OP Corporate Bank may cancel or reject an order afterwards if the trading venue rejects or cancels it in accordance with its rules. If OP Corporate Bank is unable to execute an order, it will inform the client about that.

6. Trading venues, the intermediaries used, and OTC counterparties

A list of trading venues, the most important intermediaries and the OTC counterparties used by OP Corporate Bank at any given time is available by instrument type at op.fi/private-customers/savings-and-investments/best-execution.

OP Corporate Bank has assessed that the best possible total consideration to the client can be achieved on the listed trading venues, intermediaries and OTC counterparties.

During a possible telecommunications or systems outage, OP Corporate Bank may also execute orders on trading venues other that those mentioned in the list of financial instrument-specific trading venues.

7. Assessing and monitoring order execution principles and order execution quality

OP Corporate Bank 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 OP Corporate Bank's execution arrangements. For example, OP Corporate Bank assesses trading venues, intermediaries and OTC counterparties it uses with the aim of obtaining the best total consideration for the client.

Furthermore, OP Corporate Bank regularly monitors 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 OP Corporate Bank, OP Corporate Bank regularly monitors that transactions with clients are executed at a justified price reflecting the market situation. OP Corporate Bank regularly assesses the trading procedures applied and assesses the quality of the execution of orders 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 by OP Corporate Bank 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 Corporate Bank's internal control.

Information on financial instruments and associated risks

Valid as of 2 August 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.

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 market 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 value 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.

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 so-called 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 exercise its right to cancel the contract, for example, for the following reasons: changes in capital requirements applying to banks, in derivative markets or a customer's credit risk. If the bank exercises the right allowed by the break clause to cancel the contract early 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.

The derivative contract's value may undergo rapid and drastic changes. At the beginning of a derivative transaction, the bank may require that an agreement be made on the provision of collateral to secure its receivables in such a situation. The liquidity of derivatives may involve restrictions. Moreover, changes in foreign exchange rates have an effect on the value of derivatives denominated in a foreign currency.

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.

Warrants

Warrants are securitised derivatives which always have a limited validity period (also called 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, in other words, 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 ask prices for a warrant. 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 and the terms and conditions, and familiarise themselves with the product's principles, details (such as the knock-out barrier) and associated risks. You can find warrant prospectuses and other more detailed information on warrants on the issuers' website.

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 venue) 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 of trading 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.

ETCs

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. They track the price performance of an underlying commodity or basket of commodities, for example. 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.

So-called 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 on a trading venue 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 a risk arising from market-price fluctuations. Market risks comprise interest rate, currency, equity or other price risks.

Sustainability risk

Sustainability risk refers to an environmental, social or governance event or condition that, if it occurs, could have a negative impact on the value of the investment.

Interest rate risk

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.

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 observe sustainability risks

Valid as of 2 August 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 it occurs, could cause 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 monitor and manage 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 formula or model to calculate the impact of sustainability risks on the returns of 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.

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.
- 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 with 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 Corporate Bank plc

OP Corporate Bank provides investment advice on OTC derivative products. Sustainability risks have not been integrated in the investment advice process.

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.