

OP Financial Group's Corporate Governance Statement 2017



OP FINANCIAL GROUP'S CORPORATE GOVERNANCE STATEMENT 2017

This is a description of OP Financial Group's Corporate Governance Statement. By law, a credit institution and a securities issuer shall present its Corporate Governance Statement. OP Financial Group's issuers (OP Corporate Bank plc and OP Mortgage Bank) prepare their own Corporate Governance Statements which substantially follow that of OP Financial Group. This OP Financial Group statement applies to credit institutions within the central cooperative consolidated, such as OP Customer Services Ltd and OP Card Company Plc, excluding the abovementioned issuers. OP Financial Group member cooperative banks will publish their own corporate governance statements.

Contents

OP Financial Group's Corporate Governance Statement 2017	1
1 Corporate governance and management	3
2 Structure of OP Financial Group and administrative bodies.....	3
2.1 Group structure.....	3
2.2 Governance diversity.....	7
2.3 Changes in OP Financial Group's structure in 2017	7
3 Central cooperative's Annual Cooperative Meeting.....	8
3.1 Meeting duties and items on the agenda.....	8
3.2 Notice of Meeting and attendants.....	8
3.3 Decision-making at the Meeting	8
3.4 Annual Cooperative Meeting in 2017	9
3.5 OP Financial Group's Nomination Committee.....	9
4 Supervisory Board and its committees	9
OP Cooperative's Supervisory Board.....	9
4.1 Election, members and term of the Supervisory Board.....	9
4.2 Responsibilities of the Supervisory Board.....	10
4.3 Supervisory Board Chair and Vice Chairs (presiding officers).....	10
4.4 Supervisory Board's meeting and decision-making procedures	11
4.5 Members of OP Cooperative's Supervisory Board as of 21 March 2017.....	12
4.6 Supervisory Board work in 2017	15
4.7 Supervisory Board committees	16
5 OP Financial Group's President and Group Executive Chairman, and OP Cooperative's CEO and Executive Board.....	22
5.1 OP Financial Group's President and Group Executive Chairman.....	22
5.2 Executive Board of OP Cooperative	23
5.3 Executive Board committees	32
5.4 Management team of the central cooperative consolidated	34
6 Management system.....	34
6.1 Core values and the role of the Code of Ethics.....	34
6.2 OP Cooperative's structure and management system.....	34
6.3 Management system of the central cooperative consolidated, and central cooperative subsidiaries	35
7 Internal and external control.....	37
7.1 Internal control.....	37
7.2 External control.....	42
8 Financial reporting process.....	43
8.1 Organisation of financial reporting.....	44
8.2 Independent assessment of financial reporting.....	45
8.3 Financial reporting in 2017	45
9 Remuneration.....	46
9.1 Remuneration within OP Financial Group.....	46



9.2	Remuneration and fringe benefits paid to the Executive Board in 2017	51
10	Insider management.....	53
10.1	Access to insider registers and lists of insiders and their display for public inspection	54
11	Disclosure policy.....	54
12	Corporate social responsibility.....	55
13	Updating Corporate Governance.....	56



OP Financial Group's Corporate Governance Statement

1 CORPORATE GOVERNANCE AND MANAGEMENT

This Corporate Governance Statement of OP Financial Group has been prepared in accordance with the Act on Credit Institutions (CRD IV/CRR) and Chapter 7, Section 7 of the Finnish Securities Markets Act, and the Finnish Corporate Governance Code (2015) where applicable. The Statement has been issued separately from the Report by the Board of Directors.

This Statement also covers some other key governance issues and the related, up-to-date information is available on OP's website at www.op.fi > OP Financial Group > About us > Corporate governance.

OP Cooperative's Executive Board discussed this Corporate Governance Statement on 30 January 2018. The Audit Committee of OP Financial Group's Supervisory Board also assessed the Statement at its meeting. KPMG Oy Ab, OP Financial Group's auditor, has verified that the Statement has been issued and that the description it contains covering the main features of internal control and risk management systems related to the financial reporting process is consistent with the financial statements.

This Statement plus OP Financial Group's financial statements, Report by the Executive Board, Auditor's Report and Annual Review are available on OP's website at www.op.fi > OP Financial Group > To the media > Publications.

In their decision-making and corporate governance, OP Financial Group and its central cooperative, OP Cooperative, Financial Group, comply with the laws of Finland and standards issued by virtue of them. OP Financial Group's operations are specifically governed by the Act on the Amalgamation of Deposit Banks (Laki talletuspankkien yhteenliittymästä), the Act on Cooperative Banks and Other Cooperative Institutions, the Act on Credit Institutions, the Insurance Companies Act and the Co-operatives Act.

Taking into account the specific characteristics of the cooperative system, OP Financial Group's Corporate Governance conforms, whenever applicable, with the Finnish Corporate Governance Code approved by the Securities Market Association in October 2015.

In addition, OP Financial Group follows the Code of Business Ethics in its operations.

2 STRUCTURE OF OP FINANCIAL GROUP AND ADMINISTRATIVE BODIES

2.1 Group structure

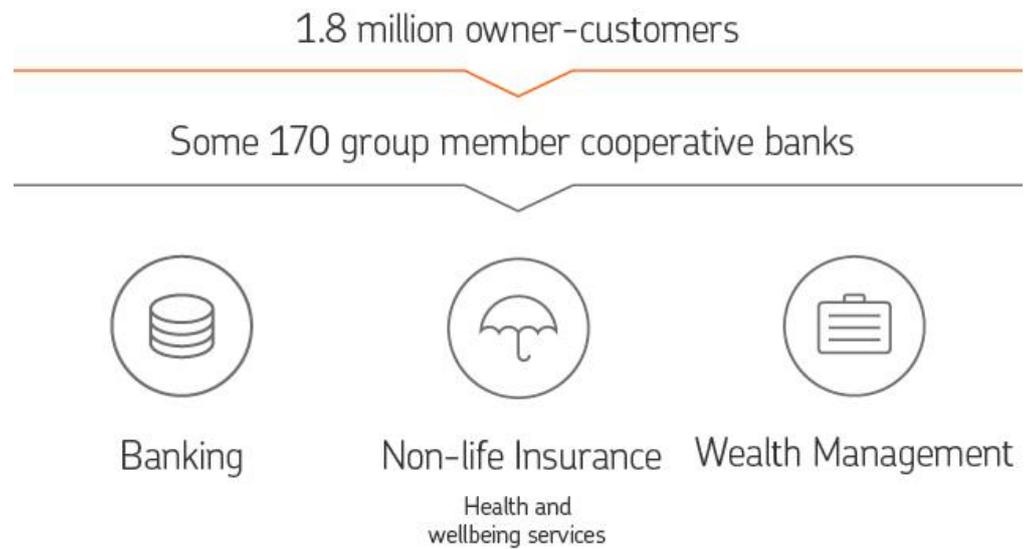
2.1.1 OP Financial Group

Established in 1902, OP Financial Group is a cooperative financial services group formed by independent cooperative banks and the Group's central cooperative with its subsidiaries operating under the principle of joint and several liability. OP Financial Group's success lies in a strong foundation of promoting the prosperity, well-being and security of its owner-customers, customers and business partners. Being a Finnish Group is an important part of its identity.

OP Financial Group consists of 167 member cooperative banks as of 31 December 2017 and their central cooperative, OP Cooperative, with its subsidiaries and affiliates. The

Group's operations are based on the cooperative principle – cooperation and sharing the fruits of success with everyone. Based on its mission, OP Financial Group creates sustainable prosperity, security and wellbeing for its owner-customers and in its operating region by means of its strong capital base and efficiency.

OP Financial Group has three business segments: Banking, Non-life Insurance, and Wealth Management.



OP Financial Group consists of the following two parts:

1. The amalgamation of the cooperative banks
2. Other entities and organisations of OP Financial Group



Credit institutions within OP Financial Group are liable for each other's debts. OP Financial Group is supervised by the ECB on a consolidated basis.



The amalgamation of OP Financial Group member cooperative banks is formed by OP Co-operative (central cooperative), companies belonging to its consolidation group, the central cooperative's member credit institutions and companies belonging to their consolidation groups, and credit institutions, financial institutions and service companies in which the abovementioned institutions jointly hold more than half of the voting rights form the amalgamation.

OP Financial Group is comprised of the amalgamation of the member cooperative banks and those non-amalgamation entities of which entities belonging to the amalgamation hold more than half of the total votes. The extent of OP Financial Group differs from that of the amalgamation of the member cooperative banks in that OP Financial Group subsumes companies other than credit and financial institutions or service companies. The most important of these are the insurance companies with which the amalgamation forms a financial and insurance conglomerate. In addition, Pohjola Health Ltd, a hospital, belongs to OP Financial Group.

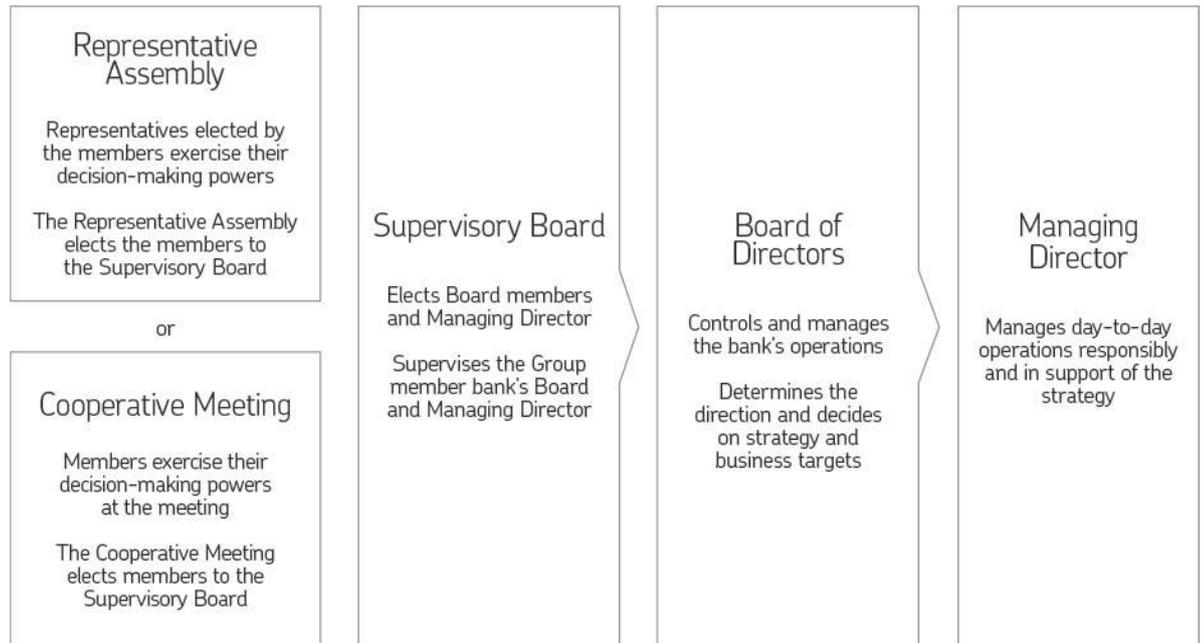
More detailed information on the legal structure of OP Financial Group and the amalgamation of the member cooperative banks can be found in the Financial Statements of OP Financial Group. The amalgamation of the member cooperative banks does not form a corporate group, as referred to in the Accounting Act, or a consolidation group, as referred to in the Act on Credit Institutions. The central cooperative of the amalgamation prepares consolidated financial statements as referred to in Section 9 of the Act on the Amalgamation of Deposit Banks.

2.1.2 OP cooperative banks

Group member cooperative banks are independent, local deposit banks engaged in retail banking. They provide modern and competitive banking services to households, SMEs, agricultural and forestry customers and public-sector entities. Helsinki Area Cooperative Bank, which belongs to the central cooperative consolidated and whose governance model and structure differs from that of other OP cooperative banks, engages in corresponding retail banking in the Helsinki Metropolitan Area.

In terms of the type of their business organisation, the member cooperative banks are co-operatives whose basic values underlying decision-making include the one member, one vote principle. Within the member cooperative banks, the highest decision-making body is the assembly comprising owner-customers or the cooperative meeting, which elects a Supervisory Board for the bank. The Supervisory Board in turn elects an Executive Board for the bank.

Decision-making at a Group member cooperative bank



The central cooperative's Supervisory Board has confirmed the Principles of Good Corporate Governance for the Group, covering, for example, a cooperative bank's administrative bodies and executive management, internal control and remuneration.

2.1.3 Cooperative bank federations

The cooperative bank federations are regional cooperation bodies for the member cooperative banks. Finland is divided into 16 federations of cooperative banks and the boundaries of the federations essentially follow those of provinces.

The federations nominate candidates in their region for the OP Cooperative Supervisory Board. In addition, the cooperative bank federations cooperate, for example, in projects related to marketing, corporate social responsibility and internal training.

The meeting of a cooperative bank federation comprising member cooperative banks shall elect the Executive Board to represent the federation and attend to its affairs.

2.1.4 OP Cooperative and its responsibilities

The central cooperative of OP Financial Group is OP Cooperative, OP Osuuskunta in Finnish and OP Andelslag in Swedish, and is domiciled in Helsinki.

Within the central cooperative, the highest decision-making powers rest with the Cooperative Meeting and the Supervisory Board elected by it and operational decision-making powers are exercised by the Executive Board elected by the Supervisory Board and being made up of management executives. The central cooperative's member banks own OP Cooperative.

The central cooperative's members may include credit institutions, as referred to in the Act on the Amalgamation of Deposit Banks, whose Bylaws or Articles of Association have been approved by the central cooperative. The Supervisory Board takes decisions on admitting new members.

The purpose of the central cooperative as the central cooperative of the amalgamation and as the company heading the financial and insurance conglomerate formed by OP Financial Group is to equitably contribute to and support the development of, and cooperation between, its member credit institutions, other OP Financial Group companies and entities and the entire Group. To that end, the central cooperative controls the Group's centralised services, develops the Group's business, manages the Group's strategic control and lobbying and manages control and supervision duties belonging to the central cooperative of the amalgamation and the company heading the financial and insurance conglomerate. Furthermore, the central cooperative acts as OP Financial Group's strategic owner institution.

2.2 Governance diversity

OP Financial Group has a long-term approach to planning the composition of administrative bodies. Effective work in administrative bodies requires that their members have sufficiently diverse expertise, skills and experience.

In preparing the selection of members of the administrative bodies, attention is paid to the person's added value to the body's composition in terms, for example, of fostering adequate diversity. Diversity is fostered by ensuring that the candidates have a wide range of knowledge, skills and experience, as well as the comprehensive representation of various regions and the balanced representation of genders and age groups on the administrative bodies.

The aim is that the central cooperative's Supervisory Board and member cooperative banks' supervisory boards and boards of directors are represented by both genders in proportion of 60/40. To that end, the Group seeks to ensure on a long-term basis that of the candidates with equal strengths in terms of skills and experience are nominated a member of a governing body who represents a gender that is a minority on the governing body.

2.3 Changes in OP Financial Group's structure in 2017

OP Financial Group's consolidated financial statements at the end of 2017 included the accounts of 167 OP cooperative banks (173) including Group companies, and OP Cooperative Consolidated.

OVY Insurance Ltd closed down its insurance business and voluntarily gave up its insurance company licence. At this point, the company's business name was changed to Ovy Ltd. The company became fully owned by OP Cooperative on 21 December 2017.

The number of OP cooperative banks decreased during 2017 due to mergers.

On 30 June 2017, Vetelin Ylipään Osuuspankki merged into Halsuan Osuuspankki, changing its name to Halsua-Ylipään Osuuspankki.

On 31 July 2017, Kuhmoisten Osuuspankki merged into Järvi-Hämeen Osuuspankki.

On 30 April 2017, Karjalan Osuuspankki merged into Mynämäen-Nousiaisten Osuuspankki.

On 31 May 2017, Vetelin Osuuspankki merged into Kaustisen Osuuspankki, changing its name to Perhonjokilaakson Osuuspankki.

On 30 June 2017, Oriveden Seudun Osuuspankki merged into Mäntän Seudun Osuuspankki, changing its name to Pohjois-Hämeen Osuuspankki.



On 31 March 2017, Pielisen Osuuspankki merged into Pohjois-Karjalan Osuuspankki.

Suonenjoen Osuuspankki, Leppävirran Osuuspankki and Pohjois-Savon Osuuspankki accepted a merger plan on 10 August 2017, according to which Leppävirran Osuuspankki and Suonenjoen Osuuspankki will merge into Pohjois-Savon Osuuspankki. The planned date for registration of the merger is 28 February 2018.

Auran Osuuspankki, Marttilan Osuuspankki, Pöytyän Osuuspankki, Tarvasjoen Osuuspankki and Paattisten Osuuspankki accepted a merger plan on 10 August 2017, according to which Auran Osuuspankki, Marttilan Osuuspankki, Pöytyän Osuuspankki and Tarvasjoen Osuuspankki will merge into Paattisten Osuuspankki. The planned date for registration of the merger is 31 March 2018.

Haukivuoren Osuuspankki, Heinäveden Osuuspankki, Hirvensalmen Osuuspankki, Sulkavan Osuuspankki and Suur-Savon Osuuspankki accepted a merger plan on 20 September 2017, according to which Haukivuoren Osuuspankki, Heinäveden Osuuspankki, Hirvensalmen Osuuspankki and Sulkavan Osuuspankki will merge into Suur-Savon Osuuspankki. The planned date for registration of the merger is 31 March 2018.

OP Insurance Ltd will sell all share capital of its Baltic-based subsidiary Seesam Insurance As (Seesam), including its Latvian and Lithuanian branches, to Vienna Insurance Group (VIG). The parties signed the related contract of sale on 18 December 2017. The divestment should be completed during 2018, provided that it is approved by relevant authorities and that the related conditions are fulfilled.

3 CENTRAL COOPERATIVE'S ANNUAL COOPERATIVE MEETING

The Cooperative Meeting is OP Cooperative's highest decision-making body.

3.1 Meeting duties and items on the agenda

The Annual Cooperative Meeting deals with issues mentioned in Section 7 of the central cooperative's Bylaws, such as the adoption of the parent and consolidated income statement and balance sheet for the previous financial year, and the election of members of the Supervisory Board and an auditor.

3.2 Notice of Meeting and attendants

Held in OP Cooperative's registered office in Helsinki before the end of May (in practice in March), the Annual Cooperative Meeting shall be convened by the Supervisory Board. An Extraordinary Cooperative Meeting shall be held whenever the Supervisory Board deems it appropriate or whenever it must be held by law.

The Meeting is attended by the representatives of the central cooperative's member banks.

Notice of the Cooperative Meeting shall be brought to the attention of members in writing or using an electronic communication channel no earlier than two months and no later than one week prior to the final registration date.

3.3 Decision-making at the Meeting

In calculating the votes cast at the Meeting, members exercise their voting rights, based on cooperative contributions, equalling their shares in the central cooperative.



Member cooperative banks with a good financial standing have additional votes as stipulated in greater detail in the central cooperative's Bylaws. However, no single member may cast more than two per cent of the votes represented at the Meeting. At the Annual Cooperative Meeting, a member has only one vote if, due to its own financial difficulties, it has received financial support based on a resolution passed by OP Cooperative, which fulfils the characteristics specified in Section 8 of the central cooperative's Bylaws.

3.4 Annual Cooperative Meeting in 2017

OP Cooperative held its Annual Cooperative Meeting in Helsinki on 21 March 2017. The Meeting adopted the financial statements for 2016, decided on the allocation of surplus, discharged those accountable from liability and elected persons as required. Furthermore, the Meeting decided to alter the cooperative's Bylaws and the cooperative's donations.

3.5 OP Financial Group's Nomination Committee

The Committee is tasked with preparing and discussing proposals to the central cooperative's Cooperative Meeting on the Chair of the Cooperative Meeting, remuneration payable to the Supervisory Board Chair, deputy Chairs, the number of Supervisory Board members, new candidates for Supervisory Board members presented to the Cooperative Meeting as well as on the election of an auditor and its remuneration. In addition, the Nomination Committee proposes to the Supervisory Board member nominees to the Representative Assembly of Helsinki Area Cooperative Bank representing the central cooperative.

The Committee has 16–32 members and each Federation of Cooperative Banks is represented by one or two members in the Committee.

At its extraordinary meeting on 23 August 2017, the Nomination Committee confirmed the selection criteria for central cooperative Supervisory Board members. In the composition of the Supervisory Board and its members' competence requirements, OP ensures that the members have adequate experience and professional skills to perform their duties professionally and carefully. The Supervisory Board must be diverse and its members must have adequate knowledge of the financial sector.

4 SUPERVISORY BOARD AND ITS COMMITTEES

OP Cooperative's Supervisory Board

4.1 Election, members and term of the Supervisory Board

In accordance with the Bylaws, the central cooperative's Supervisory Board has a minimum of 32 and a maximum of 36 members elected by the Cooperative Meeting. A minimum of 16 and a maximum of 20 members shall be elected to the Supervisory Board in such a way that the Supervisory Board has at least one member from each of the 16 cooperative bank federation regions. These members' term of office is three years, and of these members the number closest to one third resigns each year. Another 16 members come from areas covered by the Federation of Cooperative Banks with the number of members from the member banks involved determined on the basis of their capital adequacy. The term of office of these members is three years unless the term of office ends prior to this date due to a change in the allotment of the seats among the federations. On 31 December 2017, the Supervisory Board had 36 members, 4 of whom being members outside of OP Financial Group.



An administrative officer or salaried employee may not be elected to the Supervisory Board from a member bank which, pursuant to Section 8 of OP Cooperative's Bylaws, has only one vote at Cooperative Meetings, i.e. which has received financial support referred to in said section. A person who is 68 years of age or older is not eligible for Supervisory Board membership. However, a member who turns 68 years of age during his membership may sit on the Supervisory Board until the closing of the next Cooperative Meeting.

4.2 Responsibilities of the Supervisory Board

Under OP Cooperative's Bylaws, the Supervisory Board shall supervise the central cooperative's corporate governance, managed by the Executive Board and the CEO, and ensure that the central cooperative's operations are managed in a professional and prudent manner in accordance with the Co-operatives Act and in the best interests of the central cooperative and OP Financial Group.

In addition, the Supervisory Board shall, for example, confirm OP Financial Group's strategy and other shared goals and policies, the central cooperative's operational and financial targets, appoint and discharge the President and Group Executive Chairman acting as the CEO of the central cooperative and other Executive Board members and the Chief Audit Executive.

According to the charter confirmed by the Supervisory Board, its responsibilities also include as follows:

- Confirm the general policies as specified in the Act on the Amalgamation of Deposit Banks;
- Confirm the principles of OP Financial Group's capital plan;
- Confirm risk limits regarding risk capacity and risk types for OP Financial Group and the risk categorisation principles for member banks and regularly follow the progress of the business, risk capacity and risk exposure of OP Financial Group and the central cooperative consolidated;
- Confirm OP Financial Group's annual plan;
- Monitor the progress of the implementation of OP Financial Group's strategy valid from time to time;
- Name OP Financial Group's regional banks;
- Adopt the principles and policies concerning OP Financial Group's remuneration development and decide on the Group's long-term remuneration schemes; and
- Discuss and decide on the appointment of the Group-level working groups of strategic significance.

4.3 Supervisory Board Chair and Vice Chairs (presiding officers)

At its first meeting after the Annual Cooperative Meeting, the Supervisory Board shall elect from among its members a Chair and two Vice Chairs until the closing of the next Annual Cooperative Meeting.

The presiding officers of the Supervisory Board comprise the Chair and both Vice Chairs of the Supervisory Board. Holding their meeting whenever necessary, the presiding officers communicate to the Executive Board Chair and Vice Chair in respect of important and far-reaching strategic issues relevant to OP Financial Group and the central cooperative consolidated as well as to OP Financial Group's HR directors in HR issues in which the Executive Board is disqualified.



4.4 Supervisory Board's meeting and decision-making procedures

Convened by the Chair or, whenever he is prevented, the Vice Chair, the Supervisory Board meeting is primarily held 6–7 times a year. The Supervisory Board meeting has a quorum when more than half of its members are present. Items on the meeting agenda are primarily prepared by OP Cooperative's Executive Board and primarily presented by the Chair or Vice Chair of the Executive Board. Items on the Supervisory Board meeting agenda are also in the first place discussed in advance by the Supervisory Board Working Committee or by other Supervisory Board committees.

Members of OP Cooperative's Executive Board, the Chief Audit Executive and four separately appointed employee representatives and their deputies, if any, also have the right to be present and speak at Supervisory Board meetings.

The Supervisory Board has adopted, for example, the following charters and instructions:

- The charter for the Supervisory Board
- The charter for the Supervisory Board presiding officers
- The charter for OP Financial Group's Nomination Committee
- The charter for OP Financial Group's Remuneration Committee
- The charter for the Supervisory Board's Working Committee
- The charter for the Supervisory Board's Audit Committee
- The charter for the Supervisory Board's Remuneration Committee
- The charter for the Supervisory Board's Risk Management Committee
- The charter for the central cooperative consolidated's Executive Nomination Committee
- The charter for the Executive Board
- Principles of good corporate governance
- Principles of internal control
- Risk-taking system and Risk Appetite Framework
- Accounting policies and the principles of capital adequacy measurement

In addition, the Supervisory Board confirms operating principles regarding OP Financial Group.

4.5 Members of OP Cooperative's Supervisory Board as of 21 March 2017

(the term of members elected on the basis of capital adequacy is shown in parentheses.)

Name, year of birth and place of residence	Federation of Cooperative Banks and member's term of office	Position on OP Co-operative's Supervisory Board (number of managerial positions in parentheses) *	Full-time position, job title, education/degree(s)	Position of the person with an administrative staff background at a cooperative bank
Arvio Kalle, 1964, Siikajoki	Pohjois-Pohjanmaa, 2015–(2018)	Member (3)	Managing Director, Ruukin Osuuspankki, Diploma in Business and Administration, MBA, LKV (authorised real estate agent), APV1 degree	
Bäckman Tiina, 1959, Oulu	Other member (elected without following the regional principle) 2017–2020	Member (2)	Rautaruukki Pension Fund, Chair of the Board of Directors	
Eklund Ola, 1952, Raasepori	Sydkusten, 2016–2019	Member (3)	Managing Director, Wintem-Agency Oy, M. Eng.	Chair of the Board of Directors, Andelsbanken Raseborg
Enberg Leif, 1954, Korsnäs	Österbotten, 2016–2019	Member (5)	Entrepreneur, Mapromec Ab, M.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Korsnäs Andelsbank
Eskola Tapani, 1953, Kotka	Kaakkois-Suomi, 2015–(2018)	Member (3)	M.Sc. (Tech.)	Chair of the Board of Directors, Kymenlaakson Osuuspankki
Harju Anne, 1969, Salla	Lappi, 2016–(2018)	Member (3)	Managing Director, Sallan Osuuspankki, M.Sc. (Agriculture and Forestry)	
Heinonen Jarna, 1965, Kaarina	Varsinais-Suomi, 2015–(2018)	Member (3)	Professor in Entrepreneurship, Turku School of Economics, University of Turku, D.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Turun Seudun Osuuspankki
Hinkkanen Mervi, 1954, Kontiolahti	Pohjois-Karjala 2017–2020	Member (2)	Coordinator, Karelia University of Applied Sciences, Bachelor of Hospitality Management, MBA	Chair of the Board of Directors, Pohjois-Karjalan Osuuspankki
Hyrskyluoto Jorma, 1950, Tampere	Pirkanmaa, 2015–(2018)	Member (3)	M.Sc. (Econ.)	Chair of the Board of Directors, Tampereen Seudun Osuuspankki
Hällfors Terttu, 1955, Ulvila	Satakunta, 2017–2020	Member (2)	Health Centre Physician, Ulvila Health Centre, Lic. Med.	Chair of the Board of Directors, Länsi-Suomen Osuuspankki



Jurmu Taija, 1976, Rovaniemi	Lappi, 2016–2019	Member (4)	Lawyer, Asianajotoimisto Jurmu, Master of Laws, Degree of Bar, ABM Chair	Vice Chair of the Board of Directors, Pohjolan Osuuspankki
Järvi Ulla, 1952, Kokkola	Keski-Pohjanmaa, 2015–(2018)	Member (2)	Certified public accountant, M.Sc. (Econ. & Bus. Adm.)	Supervisory Board Chair, Kokkolan Osuuspankki
Kaakko Marja-Liisa, 1965, Kalajo	Keski-Pohjanmaa, 2016–2019	Member (2)	Senior Lecturer, Centria University of Applied Sciences, M.Sc. (Econ.), M.Sc. (Econ. & Bus. Adm.)	Member of the Board of Directors, Kalajoen Osuuspankki
Kiander Jaakko, 1963, Helsinki	Other member (elected without following the regional principle) 2015–2018	Member (2)	Director, Ilmarinen Mutual Pension Insurance Company, Dr.Soc.Sc.	
Kietäväinen Seppo, 1959, Juva	Suur-Savo, 2015–2018	Member (3)	M.Sc.(Agric.)	Chair of the Board of Directors, Suur-Savon Osuuspankki
Kiiskinen Juha, 1956, Sulkava	Suur-Savo, 2015–(2018)	Member (2)	BA	Chair of the Board of Directors, Sulkavan Osuuspankki
Koivula Olli, 1955, Kitee	Pohjois-Karjala, 2017–(2018)	Member (2)	Managing Director, Kiteen Seudun Osuuspankki, M.Sc. (Econ. & Bus. Adm.), M.Sc.(Agric.)	
Korkonen Jaakko, 1966, Seinäjoki	Etelä-Pohjanmaa, 2015–2018	Member (2)	Lecturer, Seinäjoki Joint Municipal Authority for Education / Vocational Adult Education Sedu, M. Eng., certificate in educational administration	Chair of the Board of Directors, Peräseinäjoen Osuuspankki
Krohns Petri, 1964, Lappeenranta	Kaakkois-Suomi, 2015–2018	Member (3)	Managing Director Etelä-Karjalan Osuuspankki, LL.M, Trained on the bench, MBA	
Kuosa-Kaartti Katja-Riina, 1973, Orimattila	Etelä-Suomi, 2016–(2018)	Member (3)	Authorised public accountant, Tilintarkastus Kuosa-Kaartti Oy, M.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Orimattilan Osuuspankki
Kupsala Tuomas, 1967, Korpilahti	Keski-Suomi, 2015–(2018)	Member (3)	Managing Director, Korpilahden Osuuspankki, M.Sc. (Econ. & Bus. Adm.), eMBA	
Kääriäinen Jukka, 1953, Iisalmi	Pohjois-Savo, 2015–2018	Member (2)	Planner, Social Insurance Institution of Finland, M.Soc.Sc.	Supervisory Board Chair, Pohjois-Savon Osuuspankki



Laine Timo, 1959, Lahti	Etelä-Suomi, 2017–2020	Member (4)	Managing Director, kauppaneuvos (Finnish honorary title) Päijät-Hämeen Osuuspankki, LL.M, Trained on the bench, eMBA	
Luomala Juha, 1963, Valkeakoski	Pirkanmaa, 2017–2020	Member (3)	Managing Director, Valkeakosken Osuuspankki, M.Sc. (Econ. & Bus. Adm.), LKV (authorised real estate agent)	
Mikkola Ari, 1955, Tammela	Varsinais-Suomi, 2015–(2018)	Member (2)	Unit Director, Häme University of Applied Sciences Oy, Bachelor of Agriculture	Vice Chair of the Board of Directors, Lounaismaan Osuuspankki
Mäkelä Anssi, 1961, Urjala	Pirkanmaa, 2017–(2018)	Member (2)	Senior Manager, Valmet Technologies Oy, M.Sc. (Tech.)	Chair of the Board of Directors, Urjalan Osuuspankki
Nikola Annukka, 1960, Kirkkonummi	Etelä-Suomi, 2015–(2018)	Member (4)	Director, Administration, Konehuone Oy, M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Supervisory Board Chair, Länsi-Uudenmaan Osuuspankki
Näsi Olli, 1963, Huittinen	Satakunta, 2016–(2018)	Member (3)	Managing Director, Satakunnan Osuuspankki, LL.M, Trained on the bench, eMBA	
Palomäki Riitta, 1957, Helsinki	Other member (elected without following the regional principle) 2017–2020	Member (2)	M.Sc. (Econ. & Bus. Adm.)	
Pehkonen Jaakko, 1960, Jyväskylä	Keski-Suomi, 2017–2020	Chair of the Supervisory Board (5)	Professor of Economics, University of Jyväskylä, D.Sc. (Econ. & Bus. Adm.)	Chair of the Board of Directors, Keski-Suomen Osuuspankki
Pullinen Juha, 1963, Pöytyä	Varsinais-Suomi, 2015–2018	Member (3)	Managing Director, Loimaan Seudun Osuuspankki, M.Sc. (Agriculture & Forestry), M.Sc. (Forestry)	
Sahlström Petri, 1971, Oulu	Pohjois-Pohjanmaa, 2016–2019	Member (3)	Dean, University of Oulu, Oulu Business School, D.Sc. (Econ. & Bus. Adm.)	Vice Chair of the Board of Directors, Oulun Osuuspankki
Tarkkanen Olli, 1962, Seinäjoki	Etelä-Pohjanmaa, 2015–(2018)	Second Vice Chair of the Supervisory Board (4)	Managing Director, Etelä-Pohjanmaan Osuuspankki, LL.M, Trained on the bench, eMBA	

Väisänen Mervi, 1963, Sotkamo	Kainuu, 2016–2019	First Vice Chair of the Supervisory Board (7)	Lecturer, marketing Kajaani University of Applied Sciences, M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Vice Chair of the Board of Directors, Kainuun Osuus- pankki
Väänänen Ari, 1973, Maaninka	Pohjois-Savo, 2015–(2018)	Member (3)	Managing Director, Maaningan Osuus- pankki, LL.M, Trained on the bench	
Ylimartimo Arto, 1959, Oulunsalo	Other member (elected with- out following the regional principle) 2017–2020	Member (2)	Chair of the Board of Directors, Asylum OyM.Sc. (Econ. & Bus. Adm.), Authorised pub- lic accountant	

4.6 Supervisory Board work in 2017

The Supervisory Board had nine meetings in 2017. Jaakko Pehkonen acted as its Chair and Mervi Väisänen and Olli Tarkkanen as its Vice Chairs. Information on other Supervisory Board members can be found on pages 11–13. The average attendance rate of members stood at 95%.

In 2017, the Supervisory Board, for example, dealt with and decided on the following matters:

- Central cooperative consolidated's long-term management development
- Accounting policies and the principles of credit institution capital adequacy measurement
- OP Financial Group's Financial Statements for 2016
- Update of the progress plan for the health and wellbeing services business division
- Principles of good corporate governance
- Amendment to OP cooperative banks' sample rules
- OP's competence upgrade programme
- OP Financial Group's ICAAP/ILAAP information
- Requirements set by the Single Resolution Board in the case of a crisis situation
- Implementation of the OP 2016 strategy
- Role of the Supervisory Board as part of Group unity
- Strengthening the Supervisory board's supervisory role (draft bylaws and charters)
- Confirming (updating) the principles of corporate governance, as required under joint and several liability
- OP Financial Group's main policy lines for 2018
- Future vision of banking in 2020 and our key choices
- Confirming OP Financial Group's annual plan for 2018
- IFRS 9 status report
- Gebhard Medal winners
- Appointment of a new President and Group Executive Chairman.

4.7 Supervisory Board committees

At its regrouping meeting in spring 2017, the Supervisory Board elected from among its members five committees for a term of one year: Working Committee, Audit Committee, Remuneration Committee and Risk Management Committee as well as the central cooperative consolidated Executive Nomination Committee. In addition, the presiding officers have a status comparable with a committee. Acting as bodies supporting the Supervisory Board, as a rule the committees have no independent decision-making powers.

The Supervisory Board also appoints, from among its members, members of the committees reporting to it and the Chair and Vice Chairs of the Audit Committee and the Risk Management Committee, and confirms the rules of procedure for the committees.

4.7.1 Working Committee

The Working Committee comprises the Supervisory Board's Chair and Vice Chairs and six other Supervisory Board members annually appointed from among Supervisory Board members.

Chaired by the Supervisory Board's Chair, the Working Committee is tasked with assisting the Supervisory Board in the preparation of OP Financial Group's strategy and in the monitoring of its implementation, participating in the preparation of significant projects and initiatives in the pipeline within the Group and taking charge of their monitoring. The Working Committee also considers major issues related to cooperation within the Group and the implementation of the Group's operating principles. In addition, the Working Committee is tasked, for instance, with:

- preparing significant issues coming out at a Supervisory Board meeting and monitoring the execution of Supervisory Board decisions;
- acting as a discussion forum for OP Financial Group management in the strategic and other major issues of the Group;
- acting as a link between the Supervisory Board and the Executive Board, for example, to ensure information flow;
- discussing organisational changes related to the central cooperative's senior management;
- issuing recommendations and statements to the Executive Board in matters between Group member cooperative banks and central cooperative consolidated companies related to pricing, if desired;
- issues recommendations to the Executive Board in strategic matters relating to OP Financial Group, if desired.

Convened by its Chair, the Working Committee meets 8–11 times a year. The central cooperative's Executive Board prepares the meeting agenda.

Working Committee members:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Jaakko Pehkonen, 1960	Chair	D.Sc. (Econ. & Bus. Adm.)	Professor of Economics, University of Jyväskylä
Mervi Väisänen, 1963	Vice Chair	M.Sc. (Econ. & Bus. Adm.) M.Sc. (Econ.)	Senior lecturer in marketing, Kajaani University of Applied Sciences

Olli Tarkkanen, 1962	Member	LL.M, Trained on the bench, eMBA	Managing Director, Etelä-Pohjanmaan Osuuspankki
Kalle Arvio, 1964	Member	Diploma in Business and Administration, MBA, LKV (authorised real estate agent), APV1 degree	Managing Director, Ruukin Osuuspankki
Leif Enberg, 1954	Member	M.Sc. (Econ. & Bus. Adm.)	Entrepreneur, Oy Mapromec Ab
Tapani Eskola, 1953	Member	M.Sc. (Tech.)	
Jorma Hyrskyluoto, 1950	Member	M.Sc. (Econ.)	
Timo Laine, 1959	Member	LL.M, Trained on the bench, eMBA	Managing Director, kauppaneuvos (Finnish honorary title), Päijät-Hämeen Osuuspankki
Juha Pullinen, 1963	Member	M.Sc. (Agriculture & Forestry), M.Sc. (Forestry)	Managing Director, Loimaan Seudun Osuuspankki

4.7.1.1 Working Committee work in 2017

The Working Committee had ten meetings in 2017. The average attendance rate of members stood at 96%.

In addition to the Committee members, the Working Committee meetings were attended by the Chair and Vice Chair of the Executive Board and the secretary of the Supervisory Board acted as the meeting secretary.

The meetings prepared matters to be discussed at Supervisory Board meetings and examined other important preparatory issues applying to the Group.

4.7.2 Audit Committee

During its regrouping meeting, the Supervisory Board elects, from among its members, four members to the Audit Committee for a one-year term and appoints from amongst them a Chair, Vice Chair and three managing directors of OP cooperative banks to act as permanent expert members for a term of three years or until the end of the term of the Supervisory Board. An Audit Committee member with an employment or executive contract with the Group may not be involved in the daily management of a credit institution whose affairs belong to the Committee's duties. At least one Committee member who has adequate expertise in accounting or audit must be outside of OP Financial Group.

The Audit Committee must have adequate expertise in accounting, book-keeping, financial reporting and accounting practices as well as internal audit. The Chair of the Committee must have special knowledge and experience in the application of accounting policies and internal control processes.

The Audit Committee is tasked with assisting the Supervisory Board to ensure that the central cooperative consolidated and OP Financial Group have in place an adequate and well-functioning control system to cover all operations and that the central cooperative consolidated's and OP Financial Group's accounting and financial management control is organised appropriately.

The Committee is also tasked with monitoring that the central cooperative consolidated's and OP Financial Group's activities and internal control are organised in accordance with the requirements of the laws and regulations and the principles of good corporate governance, in addition to supervising the performance of internal audit.

The Audit Committee also helps the Supervisory Board in ensuring that the central cooperative consolidated is managed in an expert and prudent manner that promotes the competitiveness and success of OP Financial Group.

In addition, the Audit Committee is tasked, for example, with:

- discussing the Group's accounting policies and capital adequacy measurement principles to be submitted to the Supervisory Board for adoption;
- supervising for its part financial reporting;
- supervising for its part compliance with laws, regulations and other provisions;
- supervising compliance with the Code of Business Ethics;
- supervising the performance and effectiveness of internal audit;
- assessing the adequacy and functionality and effectiveness of internal control;
- dealing for its part with issues related to regulatory supervision;
- dealing with and assessing matters related to auditing and auditors.

The Audit Committee has mainly four meetings a year.

Audit Committee members:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Jarna Heinonen, 1965	Chair	D.Sc. (Econ. & Bus. Adm.)	Professor in Entrepreneurship, Turku School of Economics, University of Turku
Riitta Palomäki, 1957	Vice Chair	M.Sc. (Econ. & Bus. Adm.)	
Jaakko Kländer, 1963	Member	Dr.Soc.Sc.	Director, Ilmarinen Mutual Pension Insurance Company
Katja Kuosa-Kaartti, 1973	Member	M.Sc. (Econ. & Bus. Adm.)	Authorised public accountant, Tilintarkastus Kuosa-Kaartti Oy
Anne Harju, 1969	Expert member (2017–2018)	M.Sc. (Agriculture and Forestry)	Managing Director, Sallan Osuuspankki
Petri Krohns, 1964	Expert member (2017–2018)	LL.M, Trained on the bench, MBA	Managing Director, Etelä-Karjalan Osuuspankki
Ari Väänänen, 1973	Expert member (2016–2018)	LL.M, Trained on the bench	Managing Director, Maaningan Osuuspankki

4.7.2.1 Audit Committee work in 2017

The Audit Committee had eight meetings in 2017. The average attendance rate of members stood at 91%.

In addition to members and expert members, the meetings were attended by the auditor representatives and the Executive Board member in charge of finance and the Chief Audit Executive.

4.7.3 Remuneration Committee

The Remuneration Committee comprises the Supervisory Board Chair, Vice Chair as his first deputy and a maximum of other three members annually appointed by the Supervisory Board. A person included in the Supervisory Board, who has no employment or executive contract with an OP Financial Group company, may be a Committee member.

The Remuneration Committee is tasked, for example, with controlling and supervising the development of management and employee remuneration within OP Financial Group, assessing the performance of remuneration schemes in order to ensure that remuneration is in line with the Group's core values, strategy, objectives, risk policies and control system, and assessing incentives under the remuneration schemes and other effects on the management of risks, capital and liquidity. In addition, the Committee confirms, for instance, the performance metrics for OP Financial Group's personnel fund and their outcome, and confirms those included in the Group's long-term management remuneration scheme and the amount of earned bonuses.

Furthermore, the Remuneration Committee, for example:

- provides an overall, OP Financial Group level assessment of the fulfilment of conditions for remuneration in terms of the consolidation group's earnings and earnings performance, capital adequacy, credit rating and financial and other factors before the payout of bonuses for each year and of deferred amounts;
- confirms structural and other changes related to the development of remuneration;
- confirms the general terms and conditions of OP Financial Group's remuneration schemes in terms of, for instance, updates caused by changes in regulation, law and agreements;
- confirms annually the bases for the pay scale and for the assessment of job grades within OP Financial Group;
- confirms risk-taker jobs whose holders may have an impact on the risk profile of the Group, company or Group member cooperative bank;
- exercises oversight to ensure that the rules and regulations governing remuneration and incentive schemes are followed throughout OP Financial Group;
- supervises the overall remuneration for people in charge of OP Financial Group's risk management and business-independent control functions;
- prepares proposals to the central cooperative's Supervisory Board on, for example, the general remuneration principles applied by OP Financial Group;
- issues recommendations on principles related to the management remuneration and incentives for OP cooperative banks and OP-Kiinteistökeskus real estate agencies; and
- confirms annually recommendations for management and administration remuneration.

Remuneration Committee members:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Jaakko Pehkonen, 1960	Chair	D.Sc. (Econ. & Bus. Adm.)	Professor of Economics, University of Jyväskylä
Mervi Väisänen, 1963	Vice Chair	M.Sc. (Econ. & Bus. Adm.)	Senior lecturer in marketing, Jyväskylä University of Applied Sciences

Taija Jurmu, 1976	Member	Master of Laws, Degree of Bar, ABM Chair	Lawyer, Asianajotoimisto Jurmu,
Annukka Nikola, 1960	Member	M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Director, Administration, Konehuone Oy
Seppo Kietäväinen, 1959	Member	M.Sc.(Agric.)	

4.7.3.1 Remuneration Committee work in 2017

The Remuneration Committee had eight meetings in 2017. The average attendance rate of members stood at 100%.

Committee members included the Supervisory Board Chair, Vice Chair as his first deputy and Taija Jurmu, Annukka Nikola and Seppo Kietäväinen. In addition to the Remuneration Committee members, OP Financial Group's Executive Vice President of Human Resources participated in Committee meetings.

4.7.4 Risk Management Committee

The Supervisory Board elects from among its members four Risk Management Committee members for a one-year term, who have the required expertise related to the credit institution's and OP Financial Group's risk capacity and the Group's risk policies based on the strategy, and appoints from among the Committee members a Chair and Vice Chair as well as three separately appointed OP cooperative banks' managing directors as permanent expert members from among Supervisory Board members. At least one of the Committee members must be outside of OP Financial Group.

The Risk Management Committee assists the Supervisory Board in matters related to the central cooperative consolidated's and Group's risk-taking and risk management, as well as risk-based supervision, in order to ensure that the executive management conforms to the risk-taking policy laid out in the Group strategy and the risk limits decided by the Supervisory Board.

The Risk Management Committee assists the Supervisory Board in ensuring that an adequate risk management system is in place and that no exposure is so large that it can jeopardise business continuity, capital adequacy, liquidity and strategy implementation.

The Committee must assess whether the prices charged for services that tie the capital of the central cooperative and its consolidation group are in line with their business model and strategic risk policies and, if this is not the case, draw up a plan to make corrections. The Committee must assist the Supervisory Board's Remuneration Committee in creating sound remuneration schemes.

To carry out its duties, the Committee, for example:

- considers the Group's risk-taking system and Risk Appetite Framework to be submitted to the Supervisory Board for approval, the principles of the control system required by joint and several liability, the Group's risk limits and capital plan;
- supervises compliance of the risk policy with the Group strategy and risk limits, the amount and quality of capital held by the Group and its entities, profit performance, risk exposure and compliance with the risk policy, risk limits and control limits;

- assesses the adequacy of the Group's risk limit system, the Group's risk exposure on the basis of risk analyses and the quality and sufficiency of the Group's risk management and capital adequacy management on the basis of various reports;
- monitors OP cooperative banks' risk categories, the performance of the Executive Board's ALM and Risk Management Committee, risk assessments issued by the regulator, the development of the regulatory framework related to the Group in respect of risk management.

Risk Management Committee members:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Ola Eklund, 1952	Chair	M. Eng.	Managing Director, Wintem-Agency Oy
Arto Ylimartimo, 1959	Vice Chair	M.Sc. (Econ. & Bus. Adm.), Authorised public accountant	Chair of the Board of Directors, Asylum Oy Tiina Bäckman, 1959
	Member	Senior Lawyer	Rautaruukki Pension Fund, Chair of the Board of Directors
Petri Sahlström, 1971	Member	D.Sc. (Econ. & Bus. Adm.)	Dean, University of Oulu, Oulu Business School
Tuomas Kupsala, 1967	Expert member (2017–2018)	M.Sc. (Econ. & Bus. Adm.), eMBA	Managing Director, Korpilahden Osuuspankki
Juha Luomala, 1963	Expert member (2017–2020)	M.Sc. (Econ. & Bus. Adm.), LKV (authorised real estate agent)	Managing Director, Valkeakosken Osuuspankki
Olli Näsi, 1963	Expert member (2017–2018)	LL.M, Trained on the bench, eMBA	Managing Director, Satakunnan Osuuspankki

4.7.4.1 Risk Management Committee work in 2017

The Risk Management Committee had six meetings in 2017. The average attendance rate of members stood at 98%.

In addition to members and the secretary, the Committee meetings have been attended by the Chair of OP Cooperative's Executive Board, Executive Board member in charge of risk management, Executive Board member in charge of finance.

4.7.5 The central cooperative consolidated Executive Nomination Committee

The central cooperative consolidated Executive Nomination Committee comprises the Supervisory Board's Chair, the first Vice Chair and, based on the Supervisory Board's decision, one or more Supervisory Board members.

The Committee prepares proposals to the Supervisory Board on the nomination of the central cooperative's Executive Board members, the Chief Audit Executive and Compliance Officer, including the job descriptions, as well as the related checks and terminations. Furthermore, the Committee decides on the revision of the salaries and emoluments of the Executive Board members and the Chief Audit Executive as well as on remuneration.

The Nomination Committee assesses the fitness and propriety of Executive Board members, Chief Audit Executive and Chief Compliance Officer and deals with the succession

plans of Executive Board members and the Chief Audit Executive. The committee assists the Supervisory Board, for example, in the assessment of the collective knowledge, skills, experience and diversity of the Executive Board and the time commitment expected of its members, in the assessment of the composition, work and an individual member of the Executive Board as well as in the assessment of the selection criteria and procedures applied to the executive management.

Members of the central cooperative consolidated Executive Nomination Committee:

Name and year of birth	Role	Education/degree(s)	Full-time position, job title
Jaakko Pehkonen, 1960	Chair	D.Sc. (Econ. & Bus. Adm.)	Professor of Economics, University of Jyväskylä
Mervi Väisänen, 1963	Vice Chair	M.Sc. (Econ. & Bus. Adm.)	Senior lecturer in marketing, Jyväskylä University of Applied Sciences
Taija Jurmu, 1976	Member	Master of Laws, Degree of Bar, ABM Chair	Lawyer, Asianajotoimisto Jurmu
Annikka Nikola, 1960	Member	M.Sc. (Econ. & Bus. Adm.), M.Sc. (Econ.)	Director, Administration, Konehuone Oy

4.7.5.1. The central cooperative consolidated management Nomination Committee work in 2017

The Nomination Committee had 12 meetings in 2017. The attendance rate of members stood at 100%.

5 OP FINANCIAL GROUP'S PRESIDENT AND GROUP EXECUTIVE CHAIRMAN, AND OP COOPERATIVE'S CEO AND EXECUTIVE BOARD

5.1 OP Financial Group's President and Group Executive Chairman

The Chair (President and Group Executive Chairman) of the central cooperative's Executive Board is responsible for managing OP Financial Group, the central cooperative and the central cooperative consolidated and is in charge of their strategic control in accordance with the strategic intent confirmed by the Supervisory Board. He is also tasked with presiding over Executive Board meetings and ensuring that the Executive Board works effectively and sees to it that it performs all duties within its remit.

The President and Group Executive Chairman also chairs the boards of directors of central cooperative consolidated credit institutions engaged in corporate banking as well as in the Helsinki Metropolitan Area in retail banking, non-life insurance company and asset management company as well as OP-Services Ltd and OP Customer Services Ltd.

As the central cooperative's CEO, he has statutory responsibility for the central cooperative's management at operational level according to the instructions and regulations issued by the Supervisory Board and the Executive Board.

The Supervisory Board appoints the President and Group Executive Chairman, acting as the central cooperative's CEO, and decides on the terms and conditions of his executive contract.

Specifically approved by the Supervisory Board, the job description of the President and Group Executive Chairman defines his main responsibilities.

Reijo Karhinen, M.Sc. (Econ. & Bus. Adm.) and vuorineuvos (Finnish honorary title), acted as the President and Group Executive Chairman of OP Financial Group in 2017. He had held that position since 2007. Information on the remuneration payable to the President and Group Executive Chairman can be found in the section covering remuneration below.

At its meeting on 20 September 2017, OP Cooperative's Supervisory Board appointed Timo Ritakallio OP Financial Group's new President and Group Executive Chairman, Chair of OP Cooperative's Executive Board and Chair of OP Corporate Bank plc's Board of Directors as of 1 March 2018.

The meeting decided to appoint Executive Vice President for Operation Tony Vepsäläinen an acting President and Group Executive Chairman and the Chair of OP Cooperative's Executive Board as well as the Chair of OP Corporate Bank plc's Board of Directors from 1 February until Timo Ritakallio takes up his duties as OP Financial Group's President and Group Executive Chairman.

5.2 Executive Board of OP Cooperative

5.2.1 Appointment, composition and term of the Executive Board

The central cooperative's Executive Board acting as the board of directors comprises a Chair acting as CEO and known as President, Group Executive Chairman; his deputy who acts as Vice Chair of the Executive Board; and a minimum of four and a maximum of nine other members, depending on the Supervisory Board's decision.

An Executive Board member must have adequate knowledge of the financial sector, financial matters and general knowledge of the business of the central cooperative and consolidation group and OP Financial Group and other qualifications required for the position.

Executive Board members in 2017:

Reijo Karhinen, b. 1955 (on the Executive Board until 31 January 2018)

President and Group Executive Chairman, CEO of OP Cooperative

Member of the Executive Board since 1994, Chair since 2007

Vuorineuvos (Finnish honorary title), M.Sc. (Econ. & Bus. Adm.), Honorary Doctor of Turku School of Economics, the University of Eastern Finland and the Lappeenranta University of Technology

Relevant previous experience:

OP Bank Group Central Cooperative: President 1997–2006, Executive Vice President 1994–1996

Kuopion Osuuspankki: Managing Director 1990–1994

Savonlinnan Osuuspankki: Managing Director 1988–1990

Varkauden Osuuspankki: Managing Director 1985–1988

Juvan Osuuspankki: Assistant Director 1979–1984

Other relevant positions:

Foundation for Economic Education: Chair of the Board of Directors

Maanpuolustuksen Tuki ry: Chair of the Board of Trustees

New Children's Hospital Foundation: Vice Chair of the Board of Trustees

HelsinkiMissio: Chair of the Delegation

Unico Banking Group: Member of the Board

Service Sector Employers Palta: member of the Board and its Executive Committee

**Tony Vepsäläinen, b. 1959**

Executive Vice President, Operations, deputy to President and Group Executive Chairman
Vice Chair

Member of the Executive Board since 2006

LL.M, eMBA

Relevant previous experience:

OP-Pohjola Group Central Cooperative: Chief Business Development Officer 2011–2014

OP-Pohjola Group Central Cooperative: President 2007–2010

Tampereen Seudun Osuuspankki: Managing Director 1998–2006

Turun Seudun Osuuspankki: Deputy Managing Director 1996–1998

Kuopion Osuuspankki: Bank Manager 1993–1996

Suomen Säästöpankki SSP Oy: Deputy to Area Manager 1992–1993

Pohjois-Savon Säästöpankki: managerial duties 1985–1992

Other relevant positions:

Automatia Pankkiautomaatit Oy: Chair of the Board of Directors

Housing Fair Finland Co-op: Member of the Supervisory Board

Karri Alameri b.1963

Executive Vice President, Wealth Management

Member of the Executive Board since 2015

M.Sc. (Econ. & Bus. Adm.), CEFA

Relevant previous experience:

OP Cooperative: Executive Vice President, Wealth Management, Investment

Pohjola Asset Management Ltd: President 2012–2014

OP-Pohjola Group Central Cooperative: Executive Vice President, Wealth Management
2013–2014

OP Life Assurance Company Ltd: Deputy CEO, Chief Investment Officer 2009–2012

Danske Capital, Sampo Bank plc: Deputy CEO 2007–2008

Mandatum Asset Management Ltd: Deputy CEO 2004–2006

Carnegie Asset Management Finland Ltd: Chief Investment Officer 1997–2003

Other relevant positions:

Access Capital Partners Group SA: Board member

Cinia Group Ltd: Member of the Board of Directors

Carina Geber-Teir, b. 1972

Executive Vice President, Customer Experience and Communications

Member of the Executive Board since 2009

M.Soc.Sc.

Relevant previous experience:

Varma Mutual Pension Insurance Company, Communications Director 2002–2009.

**Other relevant positions:**

Yle, Finnish Broadcasting Company: Member of the Board of Directors
Unico Banking Group: Member of the Communication Committee

Jari Himanen b. 1962

Executive Vice President, Group Steering and Customer Relationships
Member of the Executive Board since 2014
Diploma in Business and Administration, eMBA

Relevant previous experience:

Etelä-Karjalan Osuuspankki: Managing Director 2009–2014
OP-Pohjola Group Central Cooperative: Bank Manager, Sales channels and sales support 2007–2009
OP-Pohjola Group Central Cooperative: Bank Manager, Member bank steering 2002–2006
Kuusamon Osuuspankki: Managing Director 1997–2001
Pohjolan Osuuspankki: Bank Manager 1994–1997
Iisalmen Osuuspankki: Bank Manager 1989–1994
Etelä-Savon Osuuspankki: Bank Manager 1986–1989
Koillis-Savon Osuuspankki: Credit Manager 1985–1986

Other relevant positions:

-

Olli Lehtilä, b. 1962

Executive Vice President, Non-life Insurance
Member of the Executive Board since 2014
M.Sc. (Agr. & For.), eMBA

Relevant previous experience:

Helsinki OP Bank Plc: Managing Director 2011–2014
Tampereen Seudun Osuuspankki: Managing Director 2006–2010, deputy Managing Director 1999–2006
Päijät-Hämeen Osuuspankki: Bank Manager, Corporate Banking 1997–1998
Postipankki Oy: various managerial and expert duties 1993–1997
Suomen Säästöpankki SSP Oy: various managerial duties 1992–1993
Sp-Palvelu Oy: Management Trainee, 1990–1992

Other relevant positions:

Helsinki Region Chamber of Commerce: Member of the Delegation
Ilmarinen Mutual Pension Insurance Company: Member of the Board of Directors
Pellervo Economic Research PTT: Member of the Board of Directors
Unico Banking Group: Member of the Bancassurance Committee



Harri Luhtala, b. 1965
Chief Financial Officer
Member of the Executive Board since 2007
M.Sc. (Econ. & Bus. Adm.)

Relevant previous experience:

OP-Pohjola Group: various expert and managerial duties 1989–2007

Other relevant positions:

VTS Fund: Chair of the Board of Directors
Financial Stability Fund: Member of the Board of Directors
Confederation of Finnish Industries (EK): Member of Finance and Tax Commission

Harri Nummela, b. 1968
Executive Vice President, Digital Business and New Businesses
Member of the Executive Board since 2014, and previously from 2007 until 2010
LL.M, eMBA

Relevant previous experience:

OP Cooperative: Executive Vice President, Wealth Management 2014–2015
OP-Services Ltd: Chief Executive Officer 2011–2014
OP-Pohjola Group Central Cooperative: Member of the Executive Board; Executive Vice President, Banking and Investment Business 2007–2010; Department Manager 1998–2006
OP Fund Management Company Ltd: Managing Director 1997–2006
Tampereen Seudun Osuuspankki: Department Manager 1992–1997

Other relevant positions:

Service Sector Employers Palta: Member of the Economic Policy Committee
Finnish Ice Hockey Association: Chair

Erik Palmén, b. 1959
Chief Risk Officer
Member of the Executive Board since 2010
M.Sc. (Econ. & Bus. Adm.), M.Sc. (Eng.)

Relevant previous experience:

Nordea Bank Finland Plc, various expert and supervisor duties 1987–2009

Other relevant positions:

VTS Fund: Vice Chair of the Delegation
Investors' Compensation Fund: Chair
Unico Banking Group: Member of the Country Risks Managers Committee

**Jouko Pölönen, b. 1970**

Executive Vice President, Banking
Member of the Executive Board since 2014
M.Sc. (Econ. & Bus. Adm.), eMBA

Relevant previous experience:

Helsinki Area Cooperative Bank (formerly Helsinki OP Bank Plc): Managing Director since 2014
OP Corporate Bank plc (formerly Pohjola Bank plc): President and CEO since 2013
Pohjola Insurance Ltd: President 2010–2014
CFO 2009–2010 and CRO 2001–2008
PricewaterhouseCoopers: Authorised Public Accountant 1999–2001 and auditor 1993–1999

Other relevant positions:

Unico Banking Group: Member of the Board

Outi Taivainen, b. 1968

Executive Vice President, Human Resources
Member of the Executive Board since 2015
M.Sc. (Econ. & Bus. Adm.)

Relevant previous experience:

Kone Corporation: Head of HR, Central and North Europe 2012–2015
HR House Oy: President and CEO 2009–2011
Nokia Corporation: Various executive and expert duties 1993–2008

Other relevant positions:

Confederation of Finnish Industries EK: Member of the Skilled Workforce Committee
Service Sector Employers Palta: Member of the Labour Market Committee
Unico Banking Group: Member of the HR Committee

Leena Kallasvuo, b. 1956

Chief Audit Executive
Attending Executive Board meetings since 2010
M.Sc. (Econ. & Bus. Adm.)

Relevant previous experience:

Financial Supervisory Authority (Financial Supervision Authority), various expert and managerial duties 2005–2010
Trema Finland Oy: Project Manager 2000–2005
Aktia Savings Bank: Head of Department 1997–2000
Säästöpankkien Keskus-Osake-Pankki: various expert and managerial duties 1983–1996

Other relevant positions:

-

The President and Group Executive Chairman and other Executive Board members as well as the Chief Audit Executive shall be appointed and discharged by the Supervisory Board, which shall also decide on the division of responsibilities between the members.

The term of office of an Executive Board member and the Chief Audit Executive is for the time being, but for a maximum period up to the member's retirement age in accordance with OP Financial Group's pension scheme. The term of office may end prior to this date if the person requests to resign or is dismissed from membership.

5.2.2 Responsibilities of the Executive Board

The Executive Board is responsible for managing the central cooperative's and its consolidation group's operations in accordance with the Co-operatives Act, other laws, official regulations and the central cooperative Bylaws. The Executive Board must be careful in promoting the interests of OP Financial Group, its central cooperative and its consolidation group.

The Executive Board duties, according to its role, cover those related to OP Financial Group's steering, the management of the central cooperative consolidated and the management and administration of the parent entity (central cooperative) of the central cooperative consolidated.

The Executive Board responsibilities in respect of Group steering include:

- controlling the amalgamation's operations and issuing instructions to the member credit institutions within the amalgamation on risk management, good corporate governance and internal control to secure their liquidity and capital adequacy, as well as on compliance with standardised accounting policies in the preparation of the amalgamation's consolidated financial statements;
- supervising the companies within the amalgamation so that they operate in accordance with the laws and decrees governing their financial position, regulations issued by the relevant authorities, their own bylaws or articles of association, and instructions issued by the central cooperative;
- giving approvals, as referred to in Chapter 4 of the Act on the Amalgamation of Deposit Banks, that it is possible not to apply to a member credit institution the provisions stated in greater detail in the Act governing the minimum capital base, customer risks, requirements for liquidity, disclosure of information on credit risk and the qualitative management of risks, unless the Executive Board has, within the limits it has determined, delegated these duties to the bodies or employees it has assigned;
- steering OP Financial Group and implementing the Group strategy in line with the principles issued by the Supervisory Board;
- making a proposal to the Supervisory Board on OP Financial Group's strategy and operational and financial targets;
- preparing an annual plan and submitting it to the Supervisory Board for approval;
- preparing the consolidated financial statements as referred to in the Act on the Amalgamation of Deposit Banks;
- deciding on major investments unless the Executive Board has, within the limits it has determined, delegated these decisions to be made by employees or bodies it has assigned;
- confirming the charters of OP Financial Group's Risk Management Committee and Credit Risk Committee and appointing their members.

For the management of the central cooperative consolidated, the Executive Board in its capacity as the consolidation group's board of directors defines issues specified in the



charters of the subsidiaries' boards of directors. The Executive Board has operational responsibility for the management of the entire central cooperative consolidated. In respect of the management of the central cooperative consolidated, the Executive Board is tasked, for example, with the following:

Discussing and defining

- the consolidation group's risk policy and risk and capital adequacy management and ALM policies and related key guidelines;
- the consolidation group's policies relating to funding, amount of capital and investments;
- the principles of the dividend policy of subsidiaries and the principles of the level of dividends;
- the principles of member banks' list of service charges and fees;
- the implementation of investments or company acquisition/disposal or corporate transactions with an impact on the strategically or financially important Group companies;
- the consolidation group's HR policy, (including the principles of remuneration and incentives and other employee benefits) in line with the policy decisions made in greater detail by the Supervisory Board or its committees;
- the implementation of the Group strategy within the central cooperative consolidated and its supervision;
- the consolidation group's communications and brand management policy and the related key principles;
- the consolidation group's outsourcing policy and outsourcing principles;
- the consolidation group's ICT architecture policy and ICT policy;
- the annual business plan and the supervision of its progress;
- the principles and practices applied to ensure the fitness and propriety of the management of the companies within the consolidation group;
- the appointment and discharge of the managing director of subsidiaries and his/her deputy as well as the determination of their salaries and other benefits and the terms and conditions of their executive contract, if related decisions and policy statements are not within the remit of the Supervisory Board's Remuneration Committee;
- compliance policy and the key compliance principles;
- the organisational structure and management system of companies within the central cooperative consolidated;
- the description of internal control and supervision of the adequacy of internal control performance in companies.

confirming

- the job description of the Banking Senior Credit Committee of the central cooperative consolidated and its members;
- the job description of the Underwriting Executives and their members;
- the central cooperative consolidated's management and decision-making system.

issuing a statement on

- the ICAAP report and the risk and capital adequacy assessments (ORSA);
- major changes in the technical bases for insurance liability, such as those in the discount rate;
- technical bases for equalisation provisions and their changes.

In respect of the central cooperative management and governance, the Executive Board is tasked, for example, with:

- drawing up the Supervisory Board's and its committees' meeting agendas and putting forward a proposal to the Supervisory Board, for example, on
 - the central cooperative's and the central cooperative consolidated's operational and financial targets;
 - important issues of wide scope related to the central cooperative and the central cooperative consolidated and pertaining to the Group's interests, right and development for the purpose of convening a Cooperative Meeting;
- attending to the execution of the decisions by the Cooperative Meeting and the Supervisory Board;
- deciding on the basic principles of the remuneration schemes of the central cooperative and companies within the consolidation group to the extent that deciding on them is not within the Supervisory Board remit;
- confirming the central cooperative's organisation, hiring and firing employees necessary for the central cooperative's operations, determining their remuneration and confirming the division of responsibilities between such employees to the extent necessary unless the Executive Board has, within the limits it has determined, delegated related decision-making to employees it has assigned;
- deciding on the central cooperative's corporate acquisitions, disposals or corporate transactions unless related decisions do not fall within the remit of the Supervisory Board due to their significance;
- deciding on financing for the central cooperative and on its terms and conditions;
- preparing the central cooperative's financial statements and Report by the Executive Board and submitting them to the Supervisory Board.

In addition, the Executive Board must assess and supervise the appropriateness, scope and reliability of the Group's capital adequacy management, decide on reporting with which the Executive Board monitors the business, risk capacity, risk status and internal control of the Group and its subsidiaries.

5.2.3 Executive Board meeting procedures and decision-making

At its meeting, the Executive Board decides on the matters within its remit. The Executive Board may hold a meeting on a teleconference basis or using other communications media if the matter in question is urgent or there exists some other similar reason to do so. Executive Board members must be given the opportunity to communicate with each other during decision-making.

Convened by the Chair or, whenever he is prevented, the Vice Chair, an Executive Board meeting is mainly held once a week and is attended by the Executive Board's ordinary members. OP Financial Group's Chief Audit Executive has the right to be present and speak at Executive Board meetings. Executive Board meetings may also be attended by some other person whose presence is necessary due to the matter under discussion.

The meeting's agenda and the basic meeting material are distributed to the Executive Board's members for review well in advance prior to the meeting.

Each Executive Board member shall present items on the meeting agenda within his/her remit. In this context, he/she may be assisted by an expert staff member or another expert. Proposals must be given in writing. Each Executive Board member is responsible for the



implementation of the execution of Executive Board decisions within his/her remit and supervises their implementation. Minutes shall be kept of all Executive Board meetings, containing those present, decisions made and any dissenting opinions, by the secretary appointed by the Executive Board. The next Executive Board meeting adopts the minutes of the previous meeting and the minutes are signed by the secretary and the Executive Board members present at the meeting. All minutes documents are numbered consecutively by calendar year.

The Executive Board is collectively responsible for the matters upon which it decides jointly at its meetings. In addition, Executive Board members bear operational responsibility for the areas of responsibility and organisational entities individually designated to them.

Executive Board members must also give the company sufficient information to assess his/her fitness and propriety and independence, and inform of any changes in such information.

The Executive Board shall prepare an annual action plan, containing a meeting schedule and the most important issues discussed at the meetings. The Executive Board shall review its performance and procedures on an annual self-assessment basis.

5.2.4 Executive Board work in 2017

The Executive Board had 50 meetings in 2017. The average attendance rate of members stood at 94%.

At its meetings in 2017, the Executive Board discussed the following issues, among other things:

- Management of strategy implementation
 - monitoring and controlling of the 15 strategic initiatives
 - development investments
 - maintaining the overall picture, deepening policy lines and preparing Supervisory Board proposals related to strategy specification
- Managing annual plan implementation
- Examining the Group's and the consolidation group's monthly reports
- Ensuring the Group's business and financial targets
- Monitoring and controlling the Group's regulatory projects
 - ensuring sufficient resources by prioritising projects.

At its meetings, the Executive Board also discussed, for instance, the annual plan, risk management and capital adequacy management principles and risk policies, and regularly analysed the financial performance, capital adequacy and risk exposure of OP Financial Group, the central cooperative consolidated and the business segments. The Executive Board also monitored key measures taken and the achievement of the targets. In addition, it discussed key issues related to markets, the competitive and regulatory environment and evaluated the effect of related changes on OP Financial Group.

As part of its normal activities, the Executive Board also discussed all audit reports prepared in 2017 and other key issues pertaining to internal and external control. In 2017, it analysed regularly major purchases and projects. The Executive Board regularly discussed and reviewed issues related to competence development and remuneration.

Furthermore, it had three planning days with a duration of one and a half day.



5.3 Executive Board committees

The Executive Board has set up four committees whose charters it has confirmed. The Committees have no independent decision-making powers but the Executive Board makes decisions based on preparations by the committees.

5.3.1 HR Committee

The central cooperative's Executive Board confirms the composition of the HR Committee and appoints its members. The Committee is chaired by the Chair of the Executive Board. Other members acting as Executive Board members comprise OP Financial Group's Executive Vice President of Human Resources, Executive Vice President of Operations and one Executive Vice President of each business segment on a one-year rotation basis. Committee members must have adequate knowledge of OP Financial Group's and the central cooperative consolidated's operations as well as of HR issues.

The HR Committee is responsible for supporting the Executive Board in controlling the HR management of the central cooperative consolidated in accordance with the adopted principles and decisions. The Committee is tasked with assisting the Executive Board in ensuring that HR management supports the achievement of the business targets of the central cooperative consolidated by means of HR management methods, processes and their supporting systems.

The Committee is also responsible for supervising the central cooperative consolidated that it complies in its operations with the agreed and decided HR policy guidelines.

5.3.1.1 HR Committee work in 2017

The HR Committee had six meetings in 2017. Its members comprised President and Group Executive Chairman, Executive Vice President of Operations, Executive Vice President of Human Resources and Executive Vice President of Wealth Management.

5.3.2 Development Committee

The central cooperative's Executive Board confirms the composition of the Development Committee and appoints its members. The Committee is chaired by the Vice Chair of the Executive Board. Other members comprise Executive Vice President, Banking; Executive Vice President, Wealth Management; Executive Vice President, Non-life Insurance; Executive Vice President, Digital Business and New Businesses; and Executive Vice President, Group Steering. The Committee members must have adequate knowledge of the development activities within OP Financial Group and the central cooperative.

The Committee is tasked with supporting the Executive Board in controlling and managing Group-level development. The central cooperative's Executive Board confirms annual development needs and the main policy lines for allocating OP Financial Group's development investments. On the basis of the policy lines issued by the Executive Board, the Development Committee defines development priorities and allocates development investments to various development plans. The Committee controls the prioritisation between the development plans and the resulting development portfolios for the purpose of implementing the OP Financial Group strategy and achieving the targets deriving from the strategy.

5.3.2.1 Development Committee work in 2017

The Development Committee had 16 meetings in 2017. The Committee controlled and monitored the achievement of the targets set for development and the allocation of development expenditure as well as discussed monthly individual investments on which the Executive Board shall decide. The Committee discussed the Group's development plan for autumn 2017 in May and June. At its three meetings in August, September and October, the Committee discussed the Group's development plan for 2018 – development expenditure and the main development policy lines.

5.3.3 Control and Compliance Committee

OP Cooperative's Executive Board confirms the composition of the Control and Compliance Committee and appoints its members. The Committee is chaired by the Chair of the Executive Board. Other members comprise the Executive Board member in charge of Group Steering and the Executive Board member in charge of Group risk management. If the Chair is prevented from being present, the Committee members shall select from among its members a chair of the meeting.

The Committee is tasked with supporting the Executive Board in the central cooperative's implementation of control and supervision of the central cooperative consolidated and cooperative banks based on the principles issued by OP Cooperative's Supervisory Board. The Committee makes decisions on matters delegated to it by the Executive Board.

5.3.3.1 Control and Compliance Committee work in 2017

The Control and Compliance Committee had 15 meetings in 2017. At its meetings, the Committee regularly discussed issues related to the control and supervision of the central cooperative consolidated's companies and OP cooperative banks, OP cooperative banks' risk categorisation, bank-specific control, structural development as well as groups of connected clients related to problem situations.

5.3.4 ALM and Risk Management Committee

The central cooperative's Executive Board confirms the composition of the ALM and Risk Management Committee and appoints its members. The Committee is chaired by the Chair of the Executive Board. Other members acting as Executive Board members comprise OP Financial Group's CFO, CRO, Executive Vice President of Banking and Executive Vice President of Group Steering. The Committee members must demonstrate adequate knowledge of the operations, capital adequacy management and ALM and risk management of the Group and the central cooperative consolidated.

The ALM and Risk Management Committee supports the Executive Board in steering and managing the Group's risk-bearing capacity and risk appetite according to the operating principles and decisions issued by the Supervisory Board. The Committee is also tasked with assisting the Executive Board in ensuring that the central cooperative and its consolidation group have adequate capital adequacy management and risk management systems in place covering all operations. The Committee is also responsible for supervising the central cooperative and its consolidation group and the entire OP Financial Group so that they do not take excessive risks in their operations which would materially jeopardise the capital adequacy, liquidity and profitability of the central cooperative, its consolidation group and the entire Group.

The Committee makes decisions on issues included in the charter and delegated to it by the Executive Board. The Committee also discusses matters submitted for decision by the Executive Board, those to be brought to the attention of the Executive Board and other matters within the remit of the Committee.

5.3.4.1 ALM and Risk Management Committee work in 2017

The ALM and Risk Management Committee had 13 meetings in 2017.

5.4 Management team of the central cooperative consolidated

The central cooperative consolidated has no separate Group management team but the central cooperative's Executive Board attends to its tasks.

Central cooperative's decision-making system



6 MANAGEMENT SYSTEM

6.1 Core values and the role of the Code of Ethics

OP Financial Group has defined core values guiding its operations, which, for their part, also serve as the Group's code of ethics. The Group's core values are as follows: People-first Approach, Responsibility, and Prospering together. In its operations, OP Financial Group also applies its Code of Business Ethics. The Code of Business Ethics provides an ethical framework for the conduct of all employees and members of governing bodies of OP Financial Group. In addition, ethics is guided by the general principles and guidelines governing the management of conflict-of-interest cases updated every year. These principles contain more detailed regulations and guidelines governing, for example, the identification and management of conflict-of-interest situations, compliance with good practice, acceptance of gratuities related to business, commitments and extramural activities of management and personnel, personal and related-party transactions and decisions, and measures required in a conflict-of-interest situation.

6.2 OP Cooperative's structure and management system

The Supervisory Board confirms the division of responsibilities between the Executive Board's members while the Executive Board confirms the operational organisation of the central cooperative. Operational decision-making combines with legal decision-making through the Executive Board, whose control and supervisory responsibility covers the entire Group.

6.3 Management system of the central cooperative consolidated, and central cooperative subsidiaries

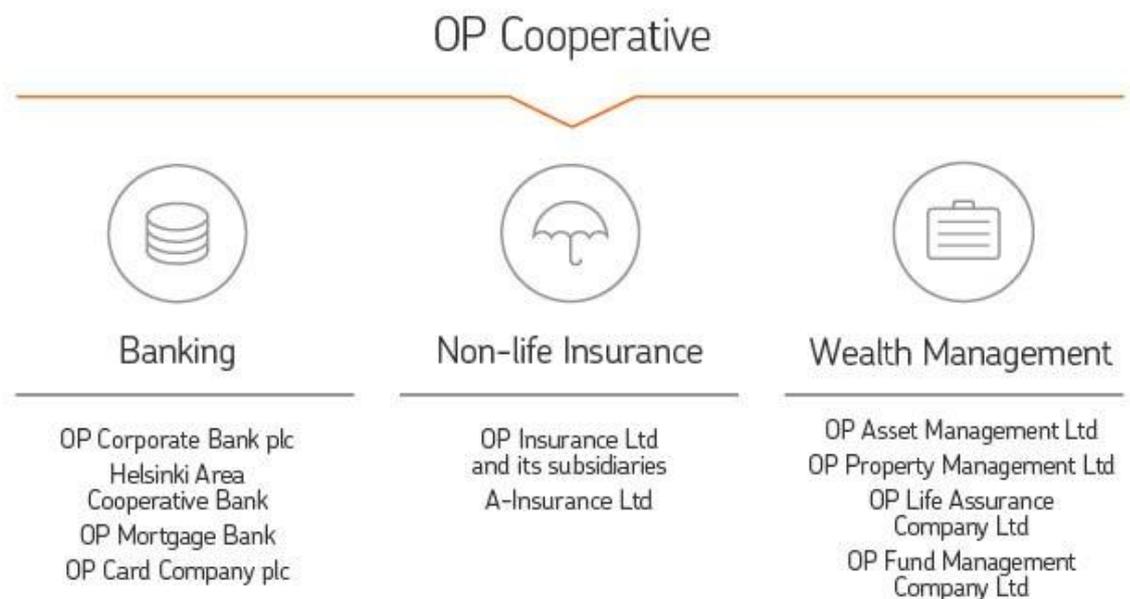
In the entire central cooperative consolidated, decisions are made as extensively as possible at Group level by the central cooperative's Executive Board. The board of directors of each subsidiary discusses and decides on issues related to them primarily on the basis of the policy guidelines issued by the central cooperative's Executive Board or after hearing the Executive Board.

The central cooperative's Executive Board decides on candidates for the subsidiaries' boards of directors, after which the board of directors is elected in a manner specified in the Articles of Association and laws in force from time to time. Basically, the subsidiaries' boards of directors comprise members of the central cooperative's Executive Board. Board members must demonstrate adequate knowledge of financial issues and the company's business or other qualifications required in the position as well as have the opportunity to allow sufficient time to perform their duties.

The charters of the subsidiaries' boards of directors describe the tasks that each board carries out. The boards of directors also annually draw up an action plan showing a meeting schedule and the most important items on each meeting's agenda. The boards of directors assess their performance and working methods on a regular basis.

The Chair of the board of directors of each subsidiary acts as the operative manager of the subsidiary's Managing Director.

Central cooperative subsidiaries



OP-Services Ltd and OP Customer Services Ltd are in charge of service production and support functions, such as product and service development.

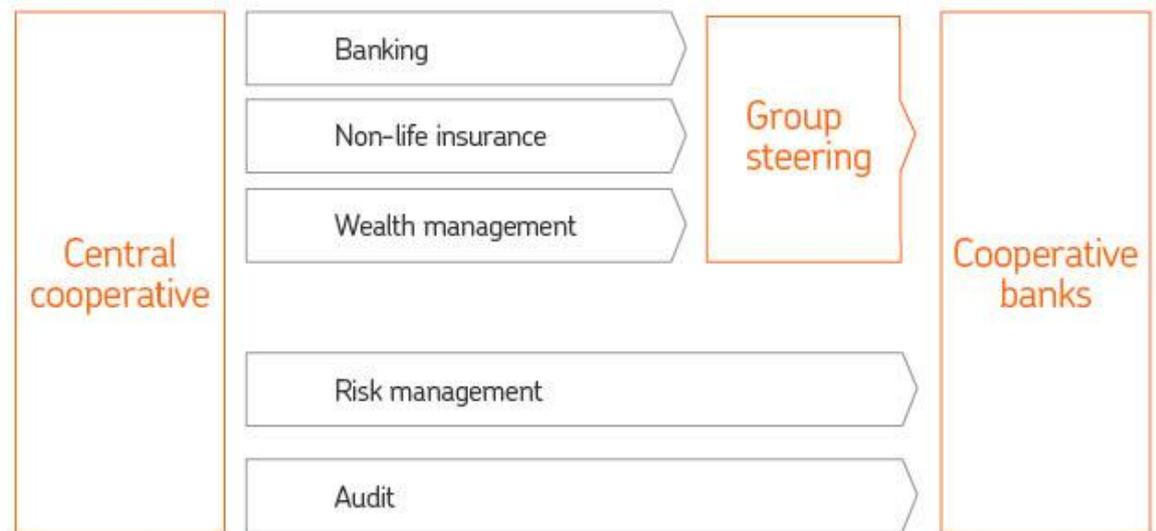


The board of directors and Managing Director/President of major subsidiaries in 2017

Company	Board of Directors	Managing Director/President
OP Corporate Bank plc	Karhinen Reijo, Chair Luhtala Harri Himanen Jari Vepsäläinen Tony	Pölönen Jouko Lehtilä Olli as deputy
Helsinki Area Cooperative Bank	Vepsäläinen Tony, Chair (as of 13 December 2017) Nummela Harri, Vice Chair (as of 13 December 2017) Luhtala Harri (as of 13 December 2017) Geber-Teir Carina (as of 13 December 2017) Tuovinen Tiia (as of 13 December 2017) Karhinen Reijo, Chair (until 13 December 2017) Luhtala Harri (until 13 December 2017) Vepsäläinen Tony (until 13 December 2017)	Pölönen Jouko
OP Mortgage Bank	Luhtala Harri, Chair Hirvinen Hanno Ronkanen-Minogue Elina	Iloniemi Lauri
OP Card Company Plc	Pölönen Jouko, Chair (as of 22 March 2017) Jaatinen Hannu Hintsanen Suvi (as of 22 March 2017) Huttunen Jussi, Chair (until 22 March 2017)	Huhta Anssi (as of 22 March 2017) Patovirta Kai (until 22 March 2017)
OP Insurance Ltd	Karhinen Reijo, Chair Luhtala Harri Himanen Jari Vepsäläinen Tony	Lehtilä Olli
OP Asset Management Ltd	Karhinen Reijo, Chair Luhtala Harri Himanen Jari Vepsäläinen Tony (as of 14 March 2017)	Alameri Karri
OP Life Assurance Company Ltd	Alameri Karri, Chair Luhtala Harri Himanen Jari	Huttunen Jussi (as of 1 April 2017) Kuisma Jarmo (until 1 April 2017)
OP Fund Management Company Ltd	Jormalainen Sami, Chair Kuisma Jarmo (until 13 March 2017) Vanha-Honko Vesa-Matti Huttunen Jussi (as of 10 March 2017)	Saariaho Kalle

OP Financial Group's operational organisation:

OP Financial Group's operational organisation



7 INTERNAL AND EXTERNAL CONTROL

7.1 Internal control

Effective and reliable internal control forms the basis for compliance with sound and prudent business practices.

Internal control refers to procedures or practices within an organisation to ensure that the organisation achieves the targets set in the strategy, uses resources economically and the information in support of management decisions is reliable. Internal control also ensures that risk management, custody of client assets and protection of property is adequately arranged. Conformance to regulations and approved ethical principles, too, are ensured through internal control.

The central cooperative's Supervisory Board confirms the Group-level principles of internal control that all OP Financial Group entities follow.

Internal controls cover all operations, involving all OP Financial Group entities and sites. The nature and extent of operations and, whenever necessary, special characteristics related to international operations are taken into consideration in specifying internal controls. Internal control covers all organisational levels. Internal control in its most extensive form primarily takes place at the operational level, where internal control is continuous and forms part of daily activities.

Internal control is complemented by the opportunity of anyone employed by OP Financial Group to report through an independent channel if they suspect that rules or regulations have been violated (whistleblowing).

7.1.1 Internal control responsibilities and organisation

The board of directors of each OP Financial Group entity is tasked with ensuring that internal control is duly organised, taking account of the Group-level internal control prin-



principles and the supplementary central cooperative guidelines. Each entity's managing director and executive management are responsible for ensuring internal control in practice and that duties are duly segregated.

The centralised Compliance, Risk Management and Finance and Treasury functions assist Group entities in ensuring internal control effectiveness. Internal Audit and external auditors ensure the effectiveness of internal control.

7.1.1.1 Internal control in 2017

Internal guidelines are used to support operational management and compliance with these guidelines is subject to continuous supervision. In 2017, the Group checked the updatedness of Group-level control guidelines and updated them and further developed the guidelines related to practices and supervision of compliance with the guidelines.

The Supervisory Board's Audit Committee, in particular, has a major role in ensuring that internal control performs effectively and in compliance with regulation. Internal control observations, recommendations given to the business line/division concerned and the progress of the implementation of such recommendations are reported to the Committee on a regular basis.

7.1.2 Internal audit

Internal audit is aimed at improving OP Financial Group's operations by assessing the appropriateness and effectiveness of risk management, supervision as well as management and administrative processes and by issuing recommendations for improvements. All Group entities and functions are subject to audit.

The Supervisory Board of OP Cooperative confirms the operating principles of Internal Audit. The Supervisory Board's Audit Committee is responsible for the guidance and assessment of Internal Audit activities. Internal Audit functions under the Audit Committee and thereby is independent of the executive management. The Chief Audit Executive reports to the Supervisory Board's Audit Committee and, in administrative terms, to the President and Group Executive Chairman. The central cooperative's Executive Board too discusses Internal Audit observations.

Planning of internal audit activities, execution of audits and reporting are performed independently. Decisions on functions subject to auditing are made on a risk-based basis. The action plan is approved by the Supervisory Board's Audit Committee. It has no operational responsibility with respect to the functions subject to auditing or powers applied to them. Internal audit performance is subject to external quality assessment every five years.

7.1.2.1 Internal audit in 2017

Approved by the central cooperative's Supervisory Board, the Internal Audit action plan for 2017 covered audits performed in both the central cooperative consolidated and OP cooperative banks. The audits focused on the identification of risk factors and the assessment of the performance of internal control processes. In its reports, Internal Audit issues recommendations for remedying any defects discovered. Internal Audit performed audits according to the action plan and reported the audits to the Audit Committee of the Supervisory Board, the Executive Board of the central cooperative consolidated, the



management teams of business segments and certain functions and subsidiaries' boards of directors.

Internal Audit regularly monitored the progress of the implementation of the recommendations issued on a half-yearly basis and regularly reported its monitoring observations to the Supervisory Board's Audit Committee and the management of the central cooperative consolidated.

7.1.3 Compliance

Managing compliance risks forms part of internal control and good corporate governance practices and, as such, an integral part of business management duties and the corporate culture. Responsibility for regulatory compliance and its supervision within OP Financial Group entities rests with the senior and executive management and all supervisors and managers. In addition, everyone employed by OP Financial Group is responsible for his/her own part for regulatory compliance.

The Compliance function assists senior management and executive management and business lines/divisions in the management of risks associated with regulatory non-compliance, supervises regulatory compliance and, for its part, develops internal control further. Guidelines, advice and support concerning compliance activities within OP Financial Group are the responsibility of the Compliance unit within the Internal Control Support department of the risk management function independent of the central cooperative. OP cooperative banks have their own designated compliance officers. Control, support and supervision of compliance activities for OP cooperative banks are performed through the network of contact persons formed by the designated compliance officers. As part of the central cooperative's Risk Management, the OP cooperative banks' operational risk management and compliance support supports the attendance of compliance duties at OP cooperative banks.

Any observations made within compliance are reported regularly to the business line/division concerned, OP Cooperative's Executive Board and the Supervisory Board's Risk Management and Audit Committees.

7.1.3.1 Compliance in 2017

In 2017, risk-based focus areas in compliance continued to include, as in prior years, KYC regulation and ensuring compliance with legislation and official instructions related to the provision of investment services and with related Group-level guidelines and the performance of processes.

Compliance advisory activities and business support, too, focused especially on solving any problems emerged from regulatory compliance related to KYC and investment services. The same risk-based prioritisation was also observed in providing support related to training for business lines/divisions. Training is also aimed at enhancing knowledge of Group- and entity-specific guidelines.

In 2017, in addition to its regular control, advisory and supervisory duties, Compliance prepared OP Financial Group's risk assessments for the amalgamation of cooperative banks concerning anti-money laundering and counter-terrorist financing and separately for Group entities not included in the amalgamation. Compliance has also been actively involved in projects aimed at ensuring that the business lines/divisions comply with the requirements of anti-money laundering and counter-terrorist financing legislation, MiFID II legislation governing the provision of investment services and data protection legislation. Furthermore,

OP cooperative banks adopted an internal control tool in 2017 that enables the control of the performance of the duties of supervisory control at Group level.

Compliance activities and observations were regularly reported to the entities' and Group's senior and executive management in accordance with the Group-level guidelines.

7.1.4 Risk management and capital adequacy management

OP Financial Group's operations are based on cooperative ideals, a strong capital base and capable risk management. Its strategic goal is to ensure risk capacity in all circumstances and to keep risk-taking moderate relative to risk capacity.

Risk and capital adequacy management falls under internal control. Its purpose is to ensure the risk capacity and liquidity of OP Financial Group and its entities and, thereby, ensure business continuity. Risk and capital adequacy management has been integrated as an integral part of the Group's business and management.

Risk capacity is made up of effective risk management that is proportionate to the extent and complexity of operations and of adequate capital resources and liquidity based on profitable business operations.

OP Financial Group's significant risks include credit risks, market risks, liquidity risks, insurance risks, concentration risks and strategic risks, reputational risk and operational risks, including compliance risks, associated with all business operations. OP Financial Group adopts a policy of moderate risk-taking.

OP Financial Group's principles governing the risk-taking system and the Risk Appetite Framework, adopted by the central cooperative's Supervisory Board, define how the Group's risk-taking is controlled, restricted and supervised and how the risk management and internal capital adequacy assessment process is organised.

Risk management and internal capital adequacy assessment process (ICAAP) involves:

- identifying, measuring, assessing and mitigating risks;
- determining reliably and independently how much capital and liquidity is required for various risk types and business operations; and
- allocating capital and liquidity systematically by business segment in line with current and planned risk-taking.

In OP Financial Group's risk policy, the central cooperative's Executive Board confirms annually risk-management principles, actions, objectives, limits and control limits to be applied by all Group business segments and entities that are used to guide business to implement the policies confirmed in the Group's strategy and the principles of the Risk Appetite Framework.

The risk limit system ensures that OP Financial Group or any of its entities does not take excessive risks to endanger the Group's or the entity's capital adequacy, profitability, funding liquidity and business continuity. Group-level risk tolerances for capital adequacy and significant risks confirmed by the Supervisory Board specify the maximum Group-level risk appetite. In the risk policy, target levels and qualitative targets as well as limits and control limits for segments and OP Financial Group entities are derived from these.

Risk and capital adequacy management's three lines of defence

The organisation and responsibilities of the Group's risk management and capital adequacy management are founded on three lines of defence shown below.

Three defence lines of risk management

<p>I Operational risk management</p> <p>Applies the risk management framework</p> <ul style="list-style-type: none"> • Risk management integrated as part of the operational units • Risk decisions and operational monitoring 	<p>Responsibility for risk exposure and its monitoring</p>
<p>II Independent risk management</p> <p>"Owns" the risk management framework</p> <ul style="list-style-type: none"> • Group's independent risk management function • Steering the risk decision process and managing consolidated risk exposure 	<p>Responsible for conditions for good risk management and control</p>
<p>III Internal Audit</p> <p>Inspects and assesses the risk management framework and its application</p> <ul style="list-style-type: none"> • Internal Audit • Independent audit function 	<p>Responsibility for independent assessment of risk management</p>

The first line consists of risk management applied within business and other operations. It supervises risk decisions and ensures that risk exposure and risk-bearing capacity are under sufficient entity-level control. Risk management is included in business models and processes.

The second line of defence consists of risk management independent of operational business organisations that is run from the central cooperative. It is in charge of the Group's risk management framework, supervises the risk-decision process and is responsible for the Group's consolidated risk exposure and risk-capacity monitoring.

The third line of defence is centralised internal audit. It audits and evaluates both the Group's risk management framework and its application in the central cooperative and other Group entities.

7.1.4.1 Risk management in 2017

In risk management of the central cooperative, 2017 included monitoring external regulatory changes and continuing to prepare for regulatory changes. The effects of IFRS 9, which became effective at the beginning of 2018, on the impairment process of receivables counted among significant changes.



The Group continued to further develop its risk management assessment processes and operational processes in order to ensure that controls related to risk management are automated so as to be part of all business. In addition, the Group updated its risk management guidelines, risk reporting and risk limitation. Stress tests have continued to play an increasing role in risk analyses. Model risk has been a special development work focus. The Group has reinforced the validation process. The risk management organisation was developed further by segregating risk model development, continuous control and validation to form independent units.

7.2 External control

7.2.1 Audit

OP Cooperative has one auditor, which must be a firm of authorised public accountants certified by the Finland Chamber of Commerce. The auditor shall also audit the consolidated financial statements as referred to in Section 9 of the Act on the Amalgamation of Deposit Banks.

The Cooperative Meeting shall elect the auditor. The term of office of the auditor expires upon the closing of the Annual Cooperative Meeting following its election. The Audit Committee of OP Cooperative's Supervisory Board puts audit services out to tender at some five years' interval (last time at the end of 2011), on the basis of which it proposes eligible auditors to the Annual Cooperative Meeting.

The auditor's remuneration is payable based on the reasonable invoice amount presented.

The auditors are tasked with auditing the accounting, internal control, accounting policies, management accounting judgements, presentation and structure of the financial statements of OP Financial Group, its entities and sub-groups in order to obtain assurance that the financial statements of the Group and its entities have been prepared in compliance with the rules and regulations in force governing the preparation of financial statements and give OP Cooperative's shareholders and other stakeholders a true and fair view of the financial position, financial performance and cash flows of the Group. In addition, the auditors regularly issue other statements on the basis of specific regulation applicable to the sector. The Supervisory Board's Audit Committee annually assesses the quality of the auditor's performance and ancillary services and the independence of auditors and the statement of the ancillary services. The auditors annually issue the Auditor's Report to the members of OP Cooperative in which they express their opinion on the financial statements and the Report by the Executive Board. Based on their observations, they also draw up audit memoranda delivered to the OP Cooperative's Executive Board, the President and Group Executive Chairman, the Supervisory Board's Audit Committee, the CRO, Internal Audit and the Finnish Financial Supervisory Authority, according to the subject matter concerned. Whenever necessary, auditors also issue oral reports to the aforementioned persons and bodies.

The Supervisory Board's Audit Committee consults the auditor when dealing with the Group's annual accounts and interim accounts, as well as the accounting policies. The auditors have a statutory obligation to notify the Financial Supervisory Authority of any matters or decisions that put operations and the existence of licence requirements at risk, or that result in an opinion in the Auditor's Report other than the unqualified opinion, as referred to in the Auditing Act, or result in an auditors' remark as referred to in Chapter 3, Section 5 and Paragraph 4 of the Auditing Act.

7.2.1.1 Audit in 2017

KPMG Oy Ab, a firm of authorised public accountants, has acted as OP Cooperative's auditor since 2002, with authorised public accountant Raija-Leena Hankonen as the Chief Auditor since 2014. KPMG Oy Ab, a firm of authorised public accountants, acts as the auditor of OP Cooperative Consolidated, or the central cooperative consolidated and its entities, with auditors appointed by KPMG Oy Ab acting as chief auditors. Auditors acting as OP Financial Group member cooperative banks' auditors also include other firms of authorised public accountants and authorised public accountants, in addition to KPMG Oy Ab.

Audit is based on audit plans. Aspects relevant to statutory audit included receivables from customers, investment assets and derivative contracts, insurance liabilities, accounting for development expenditure and the control environment related to financial reporting as well as information systems. Interim reports and financial statements bulletins are based on unaudited figures.

OP Cooperative Consolidated has used KPMG Oy Ab's advisory services related mainly to the comfort letters of bond programmes, ISAE 3402 verifications from the centralised services, the application of upcoming IFRSs as well as tax services and counselling.

Audit fees for statutory audit are based on an annual plan.

Audit fees paid to auditors totalled EUR 2.1 million (1.9), whereas assignments as referred to in Chapter 1, Section 1(2) of the Auditing Act totalled EUR 0.3 million (0.2), fees for legal counselling EUR 0.1 million (0.1) and fees for other services EUR 0.6 million (0.7).

7.2.2 Control within the amalgamation of OP Financial Group cooperative banks

The amalgamation comprises OP Cooperative as the central cooperative together with its member credit institutions and financial institutions and service companies over which they exercise control. OP Cooperative controls the amalgamation's operations and provides the companies within the amalgamation with guidelines for risk management, good corporate governance and internal control with the aim of safeguarding their liquidity and capital adequacy. The central cooperative may also confirm general principles to be followed by the member credit institutions in operations relevant to the amalgamation.

In addition, the central cooperative supervises its member credit institutions in the manner as referred to in the Act on the Amalgamation of Deposit Banks.

7.2.3 Regulatory supervision

OP Financial Group as a credit institution is supervised by the European Central Bank (ECB). The Finnish Financial Supervisory Authority oversees OP Financial Group's investment firms and insurance companies in Finland as prescribed in legislation governing financial and insurance markets. OP Financial Group's operations in Estonia, Latvia and Lithuania are supervised to an applicable extent by the national regulators.

8 FINANCIAL REPORTING PROCESS

The different financial management units subordinate to OP Financial Group's CFO take charge of not only the preparation of interim and annual accounts for OP Financial

Group and Group entities, as required by financial accounting, but also of the production of accounting reports for the management, such as monthly reports on business performance. The Controller function within OP Financial Group also produces earnings forecasts and analyses the actual outcome in comparison with the forecasts and reports on any deviations.

This chapter, Financial reporting process, describes the main features of how OP Financial Group's internal control and risk management work with a view to ensuring that the consolidation group's financial reports give substantially true information on the company's and its consolidation group's financial performance and position. Group-level financial information correctly consolidated using sub-ledger accounting and OP Financial Group companies' information forms the basis of reliable financial reporting.

OP Financial Group uses Group-wide financial reporting and risk reporting to monitor the achievement of its business goals and financial targets, and these reports are regularly reviewed at executive management and OP Cooperative's Executive Board meetings. Financial information in financial reports is compared with related plans and any differences are analysed and the report also describes earnings outlook for the current year and for a longer period of time. The very same principles apply to the monthly financial performance and risk report prepared by the management. When preparing and examining the report, the management ascertains the accuracy and correctness of the financial results and reporting by analysing the performance and risk exposure and any deviations from targets.

External reporting is based, for example, on the International Financial Reporting Standards, the Finnish Limited Liability Companies Act, the Act on Credit Institutions, the Insurance Companies Act, the Accounting Act, and the standards and regulations issued by the Financial Supervisory Authority. OP Financial Group's shared principles are applied in the accounting, financial statements and consolidated financial statements of OP Financial Group companies. Responsibility for the interpretation of, guidelines on and advice on standards, other laws governing the preparation of financial statements and official accounting requirements as well as the preparation of and compliance with common accounting policies rests with OP Cooperative, OP Financial Group's central cooperative. Whenever necessary, the Group turns to auditors who give a statement of the selected principles and interpretations.

8.1 Organisation of financial reporting

OP Cooperative's Executive Board is the highest decision-making body in matters associated with business control. The Executive Board must ensure that supervision of accounting and treasury is duly organised. It decides on reporting, procedures and qualitative and quantitative indicators used to assess operational efficiency and performance, discusses and approves the consolidated financial statements and interim reports.

The Supervisory Board's Audit Committee is tasked with assisting the Supervisory Board to ensure firstly that the central cooperative and OP Financial Group have in place an adequate and well-functioning control system to cover all operations and secondly that the OP Cooperative's accounting and treasury control is organised appropriately. To perform its tasks, the Committee discusses the Group's accounting policies and capital adequacy assessment principles to be submitted to the Supervisory Board for adoption. It also supervises for its part financial reporting by

- assessing the Group's financial statements and interim reports and the financial statements of the central cooperative consolidated;



- assessing the Corporate Governance Statement issued annually;
- assessing major or exceptional transactions and the related management judgement and estimates; and
- monitoring the financial statements process and supervising the financial reporting process as well as assessing the accuracy of financial reporting and its regulatory compliance.

The President and Group Executive Chairman must ensure, in accordance with the Cooperatives Act, that the company's accounting is in compliance with applicable laws and treasury has been organised in a reliable manner. The OP Cooperative Finance and Group Treasury function is in charge of OP Financial Group's financial reporting.

The Group has centralised the preparation of financial statements and interim reports independent of business lines/divisions. OP Financial Group's shared systems are primarily used in reporting. Operational duties related to financial and management accounting have also been centralised at central cooperative consolidated level.

8.2 Independent assessment of financial reporting

As provided by law, auditors shall assess the accuracy of financial reporting. The auditors are tasked with auditing the accounting, financial statements and governance of the company and its consolidation group in order to obtain assurance that the financial statements have been prepared in compliance with the rules and regulations in force and give owners and other stakeholders a true and fair view of the financial position of the company and its consolidation group and its financial performance and cash flows.

In its process audits, Internal Audit also assesses, when applicable, the effectiveness and adequacy of financial reporting, and reports these audits to the executive management and the Supervisory Board's Audit Committee.

As part of the independent financial reporting assessment, auditors supplement the actual audit by inspecting the planning and effectiveness of controls within centralised functions according to ISAE 3402. Auditors report separately on this specific audit in accordance with this standard.

8.3 Financial reporting in 2017

OP Financial Group's financial statements were prepared in accordance with IFRS, applying IASs, IFRSs and SIC and IFRIC interpretations effective on 31 December 2017.

In 2017, OP Financial Group adopted the following standards and interpretations:

- IAS 7 Statement of Cash Flows was amended, effective as of 1 January 2017. The amendment requires the presentation of a description of changes in financial liabilities classified as cash flows from financing activities. The standard does not require the presentation of comparatives when applying the amendment for the first time.
- Annual improvements to IFRS for cycles 2014 2016 (applicable mainly to accounting periods beginning on or after 1 January 2017). Minor amendments are annually made to standards through the Annual Improvements process. The effects of the amendments vary by standard but they are not significant.



- In addition, amendments have been made to IAS 12 Income Taxes, effective since 1 January 2017. The amendments did not have any major effect on OP Financial Group's financial statements.

9 REMUNERATION

9.1 Remuneration within OP Financial Group

Within OP Financial Group, financial remuneration consists of fixed and variable remuneration. Variable remuneration involves both short-term and long-term performance-based bonuses.

A sufficiently large amount of the total remuneration must remain fixed. The proportion of variable remuneration may not exceed 100% of the total amount of each beneficiary's fixed remuneration. OP Cooperative's Supervisory Board defines this appropriate, reasonable balance between the fixed and variable pay.

Variable remuneration comprises a long-term management remuneration scheme common to OP Financial Group member cooperative banks and the central cooperative consolidated and the personnel fund for all personnel as well as short-term schemes for each target group.

In its remuneration, the Group complies with provisions based on EU and national laws and guidelines issued by the European Central Bank, the Finnish Financial Supervisory Authority and other regulators. Remuneration policies governing OP Financial Group's employees and management are based on laws, provisions and recommendations applicable to the financial sector and on the Finnish Corporate Governance Code.

OP Financial Group's remuneration policy is consistent with sound and effective risk management and does not encourage excessive risk-taking. The remuneration schemes are in line with the core values, goals and targets, and the business strategy, and agree with the Group's long-term interests. Remuneration may not lead to a situation that could jeopardise the general reliability of the incentive scheme, an owner-customer's or customer's interests or the reputation of OP Financial Group or a Group company.

9.1.1 Decision-making related to remuneration

OP Cooperative's Supervisory Board and, depending on the matter concerned, OP Financial Group's Remuneration Committee, the central cooperative consolidated Executive Nomination Committee, boards of directors as well as the relevant Remuneration or HR Committee, which review the application of the schemes and assess their effectiveness, deals with remuneration principles and policy lines within OP Financial Group.

For schemes applying to the entire Group, the decisions are made by the Supervisory Board or OP Financial Group's Remuneration Committee. A Supervisory Board member, who has no employment or executive contract with an OP Financial Group company, may be a Remuneration Committee member. Within the member cooperative banks, remuneration-related decisions are ultimately made by each bank's board of directors.

The Supervisory Board of OP Cooperative shall approve the Group's remuneration principles, decide on the long-term remuneration scheme, confirm the general terms and conditions of the Group's remuneration schemes and issue recommendations for short-term remuneration schemes. The Supervisory Board owns the long-term management remuneration scheme and decides on its metrics, target levels and maximum bonuses. Similarly,

the Supervisory Board determines the metrics, target levels and maximum bonuses in respect of OP Financial Group's personnel fund as well. The Executive Nomination Committee subordinate to the Supervisory Board decided on issues related to remuneration for OP Cooperative's Executive Board.

By order of the Supervisory Board, OP Financial Group's Remuneration Committee set up by the Supervisory Board shall monitor and supervise the effectiveness and competitiveness of the remuneration schemes and the ability of the remuneration structures to support the Group's long-term goals and targets. The Remuneration Committee shall annually approve and revise the Group's remuneration policies.

The HR Committee of OP Cooperative's Executive Board and the central cooperative consolidated's Executive Nomination Committee act as bodies in charge of preparing remuneration issues. The Remuneration Committee of OP Financial Group acts as a body in charge of preparing remuneration issues for OP cooperative banks' management.

Internal Audit reviews annually compliance with the remuneration and remuneration scheme approved by the Supervisory Board.

Remuneration at OP Financial Group



9.1.2 Remuneration of management and administration

OP Financial Group's Remuneration Committee annually issues a recommendation to member cooperative banks on management remuneration. Such statement involves a recommendation on monthly emoluments and meeting attendance allowances of chairs and members of OP cooperative banks' supervisory boards and boards of directors.

The Cooperative Meeting decides on emoluments and other benefits payable to the members of OP Cooperative's Supervisory Board.

Monthly emoluments for 2017 confirmed by the Cooperative Meeting and payable to the Supervisory Board Chair, Vice Chairs and members are as follows: Chair 10,000 euros, Vice Chair 3,300 euros and other members 400 euros. Chairs other than those of committees acting under the Supervisory Board Chair receive 1,650 euros in monthly emoluments. In addition, all Supervisory Board members receive an attendance allowance of 600 euros for each meeting. Management and administration emoluments are paid in cash.

The Chair, Vice Chairs and members of the Supervisory Board are covered by voluntary pension insurance, as referred to in the Employees' Pensions Act (395/2006), through OP Bank Group Pension Fund.

Remuneration of OP Cooperative Supervisory Board Chair and members in 2017:

	Supervisory Board Chair	Vice Chair and other Supervisory Board members	Total
Regular monthly emolu- ments	109,800	261,600	371,400
Meeting allowance	32,100	308,746	308,746

Principles governing the remuneration and other benefits to the President and Group Executive Chairman

The central cooperative consolidated Executive Nomination Committee of OP Cooperative's Supervisory Board determines the remuneration and other benefits to OP Financial Group's President and Group Executive Chairman, and other Executive Board members and the Chief Audit Executive. A written executive contract, approved by the Supervisory Board, stipulates the terms governing the President and Group Executive Chairman's employment.

His remuneration consists of the following three parts: 1) Basic pay (salary and fringe benefits, based on the job grade, skills and performance); 2) short-term remuneration based on short-term performance (performance-based bonuses, based on the achievement of targets under the annual plan); and 3) long-term remuneration (OP Financial Group's common management remuneration scheme, based on the achievement of the Group's shared strategic goals and targets). The retirement age of Reijo Karhinen, President and Group Executive Chairman, is 63 years. Pension benefits are determined in accordance with pension laws and OP Financial Group's own pension plans. The President and Group Executive Chairman is covered by OP Bank Group Pension Foundation's supplementary pension scheme. Pension accrued under the supplementary pension scheme may begin to be disbursed as a paid-up pension before the old-age pension if employment with OP Financial Group terminates.

The period of notice applicable under the President and Group Executive Chairman's executive contract is six months. Upon termination of employment in cases specifically stipulated in the executive contract, the executive is entitled to a severance pay and a sum equivalent to his 12 months' pay.

9.1.3 Principles governing OP Cooperative's Supervisory Board remuneration

The Executive Nomination Committee of OP Cooperative's Supervisory Board determines the remuneration and other benefits to OP Cooperative's Executive Board members and the Chief Audit Executive. A written executive contract, approved by the Supervisory Board, stipulates the terms governing each of the above-mentioned persons' employment.

Remuneration payable to the members of OP Cooperative's Executive Board and the Chief Audit Executive consists of the following three parts: 1) Basic pay (salary and fringe benefits, based on the job grade, skills and performance); 2) short-term remuneration based on short-term performance (performance-based bonuses, based on the achievement of targets under the annual plan); and 3) long-term remuneration (OP Financial Group's common management remuneration scheme, based on the achievement of the Group's shared strategic goals and targets).



The Executive Board members and the Chief Audit Executive retire at 63. Pension benefits are determined in accordance with pension laws and OP Financial Group's own pension plans.

Executive Board members' supplementary pension cover has been arranged through OP Bank Group Pension Foundation and supplementary pension taken out with OP Life Assurance Company.

The period of notice followed by the employer for Executive Board members and the Chief Audit Executive is 6 months. Upon termination of their employment in cases specifically stipulated in their executive contracts, Executive Board members are entitled to a severance pay and a sum equivalent to a maximum of 6 months' pay.

9.1.4 OP Financial Group's short-term remuneration schemes

Short-term remuneration is aimed at guiding, engaging and encouraging employees to achieve annual goals and targets and perform successfully, ensuring the achievement of the goals and targets deriving from the strategy, and rewarding them for achieving and exceeding challenging targets. Performance periods in short-term remuneration schemes vary between 1 and 12 months.

The short-term remuneration schemes are based on metrics deriving from annual targets. Such metrics may be determined at Group-, company-, department- and employee level. Bonuses based on the short-term scheme come from achieving or exceeding the targets set for the metrics. In addition to personal performance, bonus payout requires the fulfilment of the conditions set for Group- and/or company-level remuneration.

OP Financial Group cooperative banks decide for their part short-term remuneration objectives and metrics on the basis of the recommendations issued by OP Cooperative's Supervisory Board. OP Cooperative's Executive Board determines remuneration for the central cooperative consolidated and the board of directors of each central cooperative consolidated entity confirms the inclusion of the entity in the remuneration scheme of the central cooperative consolidated.

In the central cooperative consolidated's short-term employee remuneration scheme, the weights of the shared, business line/function and personal targets are determined based on the person's job grade. The shared target measured is OP Financial Group's EBT and OP Central Cooperative Consolidated's expenses. Other targets measured include customer business earnings and expenses by business line/function. Personal targets in the balanced scorecard are derived from action based on annual planning.

Short-term remuneration in OP cooperative banks is based on shared bank-level targets and personal targets. Customer experience, sales and the strategy-based targets for growth and digitality are highlighted in the metrics.

The Group-level precondition for remuneration is that the Group's CET1 ratio on the payout date is over the CET1 buffer + 3% set by the ECB on the payout date. The central cooperative's remuneration scheme also includes a condition related to OP Financial Group's earnings, on the basis of which earned bonuses will be multiplied downwards if OP Financial Group's EBT is not at a predetermined level and that the person within the scheme is employed by OP Financial Group up to the payout date. Bonus payout under the short-term scheme in OP cooperative banks requires that the bank's customer business show profit.



Short-term bonuses are mainly paid in cash. With respect to its identified staff, OP Financial Group complies with the legal requirements for the deferral of bonuses and their payment using an instrument other than cash in case variable remuneration exceeds a defined level.

Within each organisation, the decision-making body in charge of the remuneration scheme may change their terms and conditions of the short-term scheme, cancel it during the year or defer the payment of bonuses if there has been a change in circumstances which would place the company in an unreasonable situation when applying the scheme. An OP cooperative bank or the central cooperative consolidated may withhold payment of bonuses partly or fully citing its financial position.

Bonuses earned based on the balanced scorecard will be reduced before bonus payout if binding internal guidelines within the Group or task or regulatory requirements have been ignored and risk management elements have been materialised. Paid bonuses may also be fully or partly reclaimed if the beneficiary is found guilty of misdemeanours, of intentionally endangering the future of business, or of breaking the law.

9.1.5 OP Financial Group's long-term management remuneration scheme

OP Financial Group's shared long-term management remuneration scheme consists of three performance periods. The first period covered 2011–2013 and the second one 2014–2016. The third performance period started at the beginning of 2017, covering 2017–2019. The bonus earned in 2011–2013 was paid in three equal instalments between 2015 and 2017 and that earned in 2014–2016 will also be paid in three equal instalments between 2018 and 2020.

The long-term management remuneration scheme has Group-level targets and the bonus is determined by the management position. It was possible to annually earn bonuses equaling a person's regular 12-month salary subject to PAYE tax during the performance period of 2011–2013, during the performance period of 2014–2016 equalling a person's 2–8-month salary and during the performance period of 2017–2019 equalling a person's 1–8-month salary.

Some 320 OP Financial Group employees are included in the long-term management remuneration scheme. The number of those included in the scheme has varied by performance period from some 300 to some 320.

Targets of the performance period of 2011–2013 included an increase in the number of loyal customers, change in the market share of the corporate customer business and return on economic capital.

The primary performance metrics for the performance period of 2014–2016 included growth in the number of customers using OP as their main bank and insurer, OP Financial Group's EBT and Common Equity Tier 1 (CET1) ratio. In addition, the scheme takes account of profitability (return on economic capital) and capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates. No bonus will be paid out if capital adequacy under said Act is less than the minimum 130% on the date of payout.

The targets set for the 2017–2019 scheme are in line with the strategy in force and are based on the following metrics: OP Financial Group's EBT, customer experience and use of digital services.

The target bonus was determined at the beginning of the 2011–2013 management remuneration scheme, i.e. the maximum remuneration in terms of Pohjola Bank plc Series A shares. OP Cooperative made a tender offer for all Series A and K shares issued by Pohjola



Bank plc and not held by OP Cooperative. On the basis of the redemption right and redemption obligation of the shares, bonuses that were to be paid as a combination of Pohjola's series A shares and cash were paid in cash under the terms and conditions of the scheme in 2015, 2016 and 2017 according to the original payout schedule. The bonus was converted into cash by multiplying the number of shares by the redemption price.

At the beginning of the scheme for 2014–2016, bonuses were determined in euro terms and bonuses that may be paid under the terms and conditions of the scheme will be paid in terms of debentures issued by OP. The earned euro bonus will be converted into the number of debentures once the outcome of the scheme is known. In 2017, OP Cooperative's Supervisory Board decided to change the terms and conditions of the scheme in such a way that, instead of the debentures, the bonus payout is tied to a reference instrument decided by the Supervisory Board or the Remuneration Committee it has appointed. The bonus based on the scheme will be paid out to the beneficiary in terms of cash tied to the reference instrument in three instalments in 2018, 2019 and 2020 after the performance period, provided that OP Financial Group's capital adequacy is higher than the minimum requirement on the payout date. Bonus payout includes conditions relating to the duration of employment or executive contracts and stipulations governing the hedging prohibition and the retention period. The hedging prohibition refers to a prohibition against use of financial instruments or insurance under the incentive scheme for hedging personal risks. The retention period means that the beneficiary must hold the bonuses that he/she has received under the scheme for one year from the payout date.

Bonuses for the performance period of 2017–2019 will be paid in cash unless deferral procedures under regulation are applied to the beneficiary. Bonuses will be paid in four equal instalments between 2020 and 2023. The bonus will be paid to members of OP Cooperative's Executive Board and the Chief Audit Executive in six equal instalments between 2020 and 2025.

9.1.6 OP Financial Group's long-term remuneration scheme for other employees

The long-term remuneration scheme for other employees is based on OP Financial Group Personnel Fund. Membership of the Fund is based on an employment contract. All those who have concluded an employment contract for an indefinite or fixed term with an OP Financial Group company belonging to the Fund are members of the Fund (excl. those included in the long-term management incentive scheme).

This long-term remuneration scheme is grounded on the achievement of OP Financial Group's shared strategic goals and targets. The Group-level targets and performance metrics under the scheme based on the Personnel Fund are congruent with the targets under the long-term management remuneration scheme valid at any given time. The board of directors of the company belonging to OP Financial Group's Personnel Fund shall annually decide on the amount of profit-based bonuses transferred to the Fund.

9.1.7 Remuneration to OP Financial Group's identified staff

Information required by the EU capital requirements regulation and directive concerning the remuneration of OP Financial Group's identified staff are published annually on OP's website.

9.2 Remuneration and fringe benefits paid to the Executive Board in 2017

In 2017, OP Financial Group's President and Group Executive Chairman received EUR 760,913 in salary, EUR 17,400 in fringe benefits and EUR 187,575 in bonuses for 2016



based on the short-term scheme, or a total of EUR 965,888. In 2017, the amount of deferred bonuses earned for 2011, 2012, 2013 under the short-term and long-term schemes totalled EUR 593,944.

Other Executive Board members and the Chief Audit Executive received a total of EUR 3,345,842 in salary and EUR 157,198 in fringe benefits. The amount of bonuses earned for 2011–2016 under the short-term and long-term schemes totalled EUR 1,974,778. Salaries and bonuses paid to other Executive Board members and the Chief Audit Executive totalled EUR 5,477,819.

Salaries and bonuses include the amount of the performance-based bonuses for 2013 and 2016 and paid in 2017. Payment of performance-based bonuses earned by the President and Group Executive Chairman and Executive Board members for 2016 under the short-term scheme has not been deferred. The deferral procedure is based on a procedure prescribed in the Act on Credit Institutions (610/2014), which is described in Note 53 of OP Financial Group's 2017 IFRS Financial Statements on variable remuneration.

President and Group Executive Chairman Reijo Karhinen, the other Executive Board members and the Chief Audit Executive retire at 63. Pension benefits are determined in accordance with pension laws and OP Financial Group's own pension plans. Executive Board members' supplementary pension cover has been arranged through OP Bank Group Pension Foundation and supplementary pension taken out with OP Life Assurance Company.

Supplementary pension insurance payments for 2017 totalled EUR 71,337. Due to changes in the supplementary pension plan for the Executive Board, some costs for 2017 will be payable in 2018.

The President and Group Executive Chairman is covered by OP Bank Group Pension Foundation's supplementary pension scheme. Pension accrued under the supplementary pension scheme may begin to be disbursed as a paid-up pension before the old-age pension if employment with OP Financial Group terminates. Reijo Karhinen retired, based on his executive contract, when he turned 63 in January 2018. A provision of EUR 450,000 for 2017 has been made due to the increase of pension liability of the President and Group Executive Chairman.

Supplementary pension costs have been published in the credit institutions' remuneration data collected annually by the European Banking Authority (EBA) in accordance with the capital requirements regulation (EU 575/2013) and directive of the (2013/36/EU, CRD IV) of the European Parliament and of the Council.

The period of notice for the President and Group Executive Chairman, other Executive Board members and the Chief Audit Executive is 6 months. Upon termination of employment in cases specifically stipulated in their executive contracts, the President and Group Executive Chairman is entitled to a severance pay and a sum equivalent to a maximum of 12 months' pay, while other Executive Board members and the Chief Audit Executive are entitled to a sum equivalent to a maximum of 6 months' pay.



	Regular pay	Fringe benefits	Short-term performance-based bonus for 2017	Total salaries, bonuses and fringe benefits paid in 2017	Amount of deferred performance-based bonus earned for 2013 and paid in 2017 and amount of bonus earned for 2011–2013 under the long-term remuneration scheme and paid in 2017*	Total salaries, bonuses and fringe benefits, and deferred performance-based bonuses paid in 2017 under the long-term scheme
Reijo Karhinen	760,913	17,400	187,575	965,888	593,944	1,559,832
Tony Vepsäläinen	608,021	12,548	97,990	718,558	465,591	1,184,150
Jouko Pölönen	394,921	11,760	48,000	454,681	143,107	597,789
Olli Lehtilä	304,658	35,416	52,000	392,074	129,530	521,604
Karri Alameri	303,012	12,240	36,000	351,252	112,111	463,363
Harri Nummela	342,977	11,400	49,770	404,147	160,183	564,330
Jari Himanen	291,450	22,542	48,000	361,992	92,173	454,165
Harri Luhtala	252,562	14,993	41,000	308,555	126,537	435,092
Erik Palmén	242,940	-	18,726	261,666	105,803	367,469
Carina Geber-Teir	212,424	12,180	32,410	257,014	92,394	349,408
Outi Taivainen	202,239	12,780	24,000	239,019	-	239,019
Leena Kallasvuoto	190,638	11,340	22,268	224,246	77,185	301,430

*Include the amount of performance-based bonuses earned for 2013 and paid in 2017 as well as the amount of long-term performance-based bonuses earned for 2011–2013 and paid in 2017. Payment of deferred amounts requires a separate decision.

Entities providing OP Financial Group's investment service, such as member credit institutions, have the Guidelines for Insiders and Insider Trading as part of OP Financial Group's Guidelines for Insiders and Insider Trading. The Guidelines contain regulations governing inside information, prohibition against abuse and improper disclosure of inside information, disclosure of insider information, public insider registers, non-public lists of insiders, list of executives as well as reporting and disclosure of transactions, trading restrictions applicable to insiders as well as insider management. The Guidelines also cover restrictions imposed on relevant persons and the organisation of supervision of compliance with the restrictions.

In addition, OP Corporate Bank plc and OP Mortgage Bank as OP Financial Group's issuers of securities have separate guidelines on acting as issuers. Those who are considered to have ongoing access to all inside information on securities issued by OP Corporate Bank plc and OP Mortgage Bank are included in the permanent non-public company-specific insider lists of these companies.

The Guidelines for Insiders and Insider Trading are based on laws governing securities markets, such as the Market Abuse Regulation, and regulations issued by the Finnish Financial Supervisory Authority and Guidelines for Insiders of Listed Companies issued by Nasdaq Helsinki.

The Guidelines are aimed at fostering stock market players' trust in OP Financial Group, OP Corporate Bank and OP Mortgage Bank.

OP's Legal Services and Public Affairs maintains public insider registers of OP Financial Group entities, registers of relevant persons and, in respect of OP Corporate Bank plc and OP Mortgage Bank as issuers of securities, lists of company-specific permanent insiders and lists of executives. Such maintenance is organised through the SIRE system maintained by Euroclear Finland Ltd and through OP Financial Group's SIPI system.

Whenever necessary, OP Financial Group companies keep project-specific insider lists.

As credit institutions, OP Financial Group's member bank operations include participation in securities trades performed by clients or in other transactions related to securities. In connection with financing arrangements or as part of the bank's other ordinary operations, member banks and their executives and salaried employees may also receive inside information on client companies. For the abovementioned reasons, among other things, member banks and their executives and salaried employees are subject to insider regulation as referred to in the applicable law.

Training in insider issues is available on a regular basis. In particular, training takes place as a result of changes in the insider-related guidelines.

10.1 Access to insider registers and lists of insiders and their display for public inspection

Anyone has the right to access the public register of insider holdings and receive extracts and copies of the information in the register against a charge. However, a natural person's personal ID code and address and the name of a natural person other than the insider are not publicly available. Information included in the list of permanent insiders or the list of project-specific insiders is not publicly available, unlike that included in public insider registers such as the register of relevant persons. Extracts from and copies of the public insider register can be ordered from Wealth Management Legal Support, Legal Services and Public Affairs. Written requests for such information specifically describing the information sought should be submitted to:

OP Lakiasiat ja edunvalvonta, Varallisuudenhoidon juridinen tuki
P.O. Box 1068
00013 OP

11 DISCLOSURE POLICY

OP Cooperative's subsidiaries OP Corporate Bank plc and OP Mortgage Bank are in charge of OP Financial Group's funding from money and capital markets. Securities issued by OP Financial Group entities are traded on the London Stock Exchange, SIX Swiss Exchange or other stock exchanges, in addition to or in place of Nasdaq Helsinki. OP Corporate Bank has also issued unlisted bonds and/or certificates of deposit the Finnish, UK and Japanese markets.

In their disclosure policy, OP Financial Group, OP Corporate Bank and OP MB comply with legislation, decrees and other binding regulations and the rules of Nasdaq Helsinki and, to the appropriate extent, those of other stock exchanges and the regulations and guidelines issued by the Finnish Financial Supervisory Authority and the European Securities and Markets Authority (ESMA). OP Financial Group's Communications takes into account not only the above but also the Corporate Governance Recommendations and the Code of Business Ethics.

This disclosure policy approved by OP Cooperative's Executive Board on 14 June 2016 and the boards of directors of OP Corporate Bank and OP MB on 21 June 2016 applies to the



disclosure principles and practices of bond issuers (OP Corporate Bank plc and OP MB) and OP Financial Group.

It is the duty of OP Cooperative to ensure that OP Corporate Bank and OP MB too disclose, distribute and make information available on matters covered by the disclosure obligation as prescribed by law. The subsidiaries report and publish their own interim reports, financial statements and reports by the board of directors. OP Cooperative discloses information for and on behalf of its subsidiaries that falls under its disclosure obligation. In practice, the central cooperative issues bulletins and releases in the name of OP Financial Group or the issuer. Communication with regard to securities issued by OP Corporate Bank and OP MB is decided upon on a case-by-case basis with the issuer. Responsibility for the issuer's disclosure obligation rests with each issuer.

The disclosure policy describes the key principles and policies followed by OP Financial Group and issuers in their communication with capital market participants and other stakeholders. In addition, the policy describes the disclosure, dissemination and storage of the information within the scope of the disclosure obligation as prescribed by law. OP Financial Group assesses its disclosure policy's consistency, suitability and sufficiency on a regular basis, at least once a year.

OP Financial Group's communications are tasked with promoting the Group's business by providing all stakeholders with accurate information on the Group's goals, targets and operations. External and internal communications aim to support the Group's strategic and business goals and enhance and maintain the Group's strong corporate image while fostering cooperation within the Group. Both external and internal communications are based on facts and provide a true picture of the state of affairs.

Disclosure Policy is available at www.op.fi > OP Financial Group > To the media > Communications and disclosure policy. OP Financial Group's web address is www.op.fi.

Corporate social responsibility (CSR) forms an integral part of OP Financial Group's business and part of the Group's strategy. The Executive Board of OP Cooperative decides on the CSR guidelines and approves the Group's CSR programme. On the Executive Board, CSR falls within the area of responsibility of the Executive Vice President, Corporate Communications. In appointing Executive Board members, the Supervisory Board pays attention to the fact that the Executive Board has adequate CSR expertise. Performance assessment is based on the achievement of CSR KPIs reviewed regularly according to the Executive Board's meeting cycle.

CSR activities are guided by the CSR principles adopted by the central cooperative's Executive Board. Responsibility for practical CSR activities rests with the boards of directors and executive boards of OP Financial Group companies, which implement corporate social responsibility in accordance with their own decision-making processes. Customer Experience and Communications supports Group entities and functions in the implementation of the CSR programme and in the dialogue with stakeholders and, whenever necessary, may communicate their concerns to the Executive Board.

OP Financial Group complies with the Code of Business Ethics approved by the Supervisory Board. The Code of Business Ethics was updated in 2017. OP Financial Group respects and conforms to international economic, social and environmental responsibility principles. The Group is committed to promoting the principles of the United Nations Global Compact initiative. OP Wealth Management has signed the UN Principles for Responsible Investment



(UNPRI). OP Financial Group reports regularly on its corporate social responsibility issues according to the Global Reporting Initiative (GRI) guidelines.

13 UPDATING CORPORATE GOVERNANCE

OP Financial Group's Corporate Governance section, updated regularly, is available at op.fi:
www.op.fi > OP Financial Group > About us > Corporate governance.